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UNITED STATES OF AMERICA
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

OCT 30 1984

U. S. District Court
United States District Court

BALLY MANUFACTURING CORPORATION,
a Delaware corporation,

Docket No.
78 C 2246

Plaintiff/Counterdefendant,

vs.

D. GOTTLIEB & CO., a corporation,
WILLIAMS ELECTRONICS, INC., a
corporation, and ROCKWELL INTERNATIONAL
CORPORATION,

Chicago, Illinois
March 26, 1984

Defendants/Counterplaintiffs.

VOLUME XVIII
TRANSCRIPT OF PROCEEDINGS

Before
HON. JOHN F. GRADY
Judge

DOCKETED
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LAURA M. BRENNAN
OFFICIAL COURT REPORTER
U. S. DISTRICT COURT
UNITED STATES OF AMERICA
CHICAGO, ILLINOIS

) Docket No.
) 78 C 2246
)

FACTURING
corporation,
Plaintiff/Counterdefendant,

vs.

) Chicago, Illinois
) March 26, 1984
) 9:45 a.m.

D. GOTTLIEB & CO., a corporation,
WILLIAMS ELECTRONICS, INC., a
corporation, and ROCKWELL INTERNATIONAL
CORPORATION,

Defendants/Counterplaintiffs.

VOLUME XVIII-A
TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE JOHN F. GRADY

TRANSCRIPT ORDERED BY: MR. JEROLD B. SCHNAYER
MR. MELVIN M. GOLDENBERG

APPEARANCES:

For the Plaintiff/
Counterdefendant:

MR. SCHNAYER
MR. KATZ
MR. TONE
MS. SIGEL
MR. MATHIAS

For the Defendants/
Counterplaintiffs:

MR. LYNCH
MR. HARDING
MR. GOLDENBERG
MR. ELLIOTT

Court Reporter:

LAURA M. BRENNAN
219 South Dearborn Street, Room 1918
Chicago, Illinois 60601

2 1 MR. LYNCH: Good morning, Judge.

2 THE COURT: Good morning.

3 MR. TONE: Good morning, your Honor.

4 THE CLERK: 77 C 2246, Bally v. Gottlieb, case on
5 trial.

6 THE COURT: Good morning, Mr. Katz.

7 MR. KATZ: Good morning, your Honor.

8 This morning I would like to call Professor
9 Kayton to the stand.

10 IRVING KAYTON, PLAINTIFF'S WITNESS, DULY AFFIRMED.

11 MR. GOLDENBERG: Your Honor, we would like to
12 advise the Court that after Professor Kayton has been identi-
13 fied in the record, we would like to have a voir dire examina-
14 tion of the witness before he testifies.

15 THE COURT: All right.

16 MR. KATZ: Your Honor, if -- I have a short series
17 of questions for qualifying the witness, and perhaps after I
18 finish those questions we might have gotten the questions
19 that the defendants would have asked on voir dire.
20 So I would ask that the voir dire be after the
21 qualifications.

22 MR. GOLDENBERG: Of course.

23 MR. KATZ: Thank you.

24 BY MR. KATZ:

25 DIRECT EXAMINATION

Kayton - direct

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1 Q Professor Kayton, what is your occupation?

2 A I am a professor of law and director of the Patent Law
3 Program at the George Washington University School of Law in
4 Washington, D.C.

5 Q And how long have you been a professor and director of
6 the Patent Law Program at George Washington University?

7 A Twenty years.

8 Q What courses do you teach at the law school?

9 A I teach patent law, patent office practice, advanced
10 topics in patent law, fraud in patent procurement, civil
11 procedure, and federal jurisdiction.

12 Q Would you briefly tell the Court what your formal edu-
13 cation has been, beginning with college, and providing
14 appropriate dates.

15 A Yes. I received a Bachelor's degree in mathematics in
16 1951 with distinction from Cornell University.

17 I received the Juris Doctor, my first law
18 degree, from the New York University School of Law in 1975.
19 I received the Master of Laws degree from Columbia University
20 in 1964 or '5, I'm not exactly sure, and then I received the
21 Doctor of Juritical Science, the J.S.D. from Columbia Univer-
22 sity in 1967.

23 Between Bachelor's degree in Mathematics in
24 Cornell and my attending the New York University Law School,
25 I had a year of graduate training in electronic communications.

Kayton - direct

1 engineering while I was a member of the technical staff of
2 Bell Telephone Laboratories.

1 Q Would you give us a short summary, please, of your pro-
2 fessional work, experience from 1951 to the present date?

3 A From 1951 through 1953, I was a naval officer primarily
4 involved on ships of the Atlantic Fleet as a navigator and
5 radar officer.

6
7 From 1953 through 1954, I was a member of the
8 technical staff at Bell Telephone Laboratories where I worked
9 on designing logic circuits for digital computers.

10 I transferred in 1954, 1955 to the Patent
11 Department of Bell Telephone Laboratories, where I did various
12 forms of patent work dealing with digital technologies, micro-
13 wave transmission, systems and components, and from --that
14 was up through 1958.

15 1958 through 1963, I worked as a patent attor-
16 ney for General Precision Equipment, Incorporated, and the
17 General Electric Company at different times, in various tech-
18 nologies and various activities including patent prosecution,
19 licensing, patent infringement litigation.

20 From 1964 to the present, I have been at the
21 George Washington University School of Law in the capacity
22 that I indicated earlier, Professor of Law and Director of
23 the Patent Law Program.

24 Q What involvement, Professor Kayton, if any, have you had
25 in continuing legal education activities relating to patent
law and patent practice?

1 A Well, from 1966 up until now I have lectured extensively
2 on those subjects for American Patent Law Association, Prac-
3 ticing Law Institute, Licensing Executive Society.

4 And in 1969, I formed my own continuing legal
5 education association in patent law called Patent Resources
6 Group. And, your Honor, last week we were putting on a pro-
7 gram under the auspices of Patent Resources Group with
8 several courses.

9 And that has been going on since 1966.

10 Q And what courses have you personally taught in those
11 continuing legal education activities?

12 A Well, I have taught courses in all fields of patent
13 law and patent practice, but most of my interest and activity
14 has been directed to those subjects which are bottomed essen-
15 tially on proper prosecution of patent applications. Most of
16 the courses I teach, therefore, sound something like Effective
17 Patent Prosecution for Winning Trial Strategy, Advanced
18 Patent Application, Amendment Writing Workshop, Advanced
19 Topics in Patent Practice, Re-examination Protested Reissues
20 and Fraud; related things, but I have also taught licensing
21 courses and litigation courses.

22 Q Have you taught any courses specifically directed or
23 dealing with protested re-issue proceedings of the type that
24 took place in this case?

25 A Yes, I have mentioned one that I have, and I have taught

Kayton - direct

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many courses specifically directed to the subject of fraud
and patent practice as well.

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Q Have you taught any courses relating to the subject of fraud in the procurement of United States patents?

A Yes, when I said fraud in patent practice, that is generic, but I have specifically taught courses and written papers on the subject of fraud in patent procurement.

Q Can you give us brief illustrative examples of your published writings in the patent field, and please confine that, if you would, to just major work.

Q I am a co-author and editor of a 7-volume treatise entitled "Patent Preparation and Prosecution Practice."

I have a text, patent primer, which I see is on your Honor's desk, called "Kayton on Patents." It is used primarily in the entering patent law classes that I teach and are taught at other law schools.

I was a founding co-author with two others, Don Dunner and Jim Gambrell, of a multi-volume treatise published by Matthew Bender called "Patent Law Perspectives," but I left that in 1973.

I have authored a monograph in 1970 entitled "The Crisis of Law in Patents," which was a study showing the different law that was used among the regional circuits in patent cases and has been used extensively in senate committee hearings that led ultimately to the formation of the U.S. Court of Appeals for the Federal Circuit.

John Lynch and I and a third author co-authored a

very early major Law Review article on fraud, published in the G. W. Law Review, 1974, and my doctoral dissertation was published as a lengthy Law Review article entitled "Retrieving Case Law by Digital Computer."

Those are the major things I have published.

Q. Could you give us, please, a reasonable estimate of how many Law Review articles, major addresses, and continuing legal education courses you yourself have actually written, presented, or taught in the field of patent practice in the past 20 years?

A. The past how long?

Q. 20 years.

A. Well over 200.

Q. When, if ever, have you been called up by the United States Patent and Trademark Office to instruct Patent Office examiners on matters of Patent Office practice, custom, and procedure?

A. On two occasions the Commissioner of Patents invited me to address the examining corps of the Patent Office on those subjects, two different occasions, and more particularly to address them on that subject as related specifically to the subject of Section 103, non-obviousness, under the statute and cases, and then once with respect to how prospectively that examination would take place with pending legislation then in mind. The legislation never came to pass, however.

I also have at the law school taught over the past 20 years a large number of patent examiners who either were candidates for law degrees or who took specifically the patent courses that I taught, usually under the financial aegis of the Patent Office.

1 Q Professor Kayton, have you ever actually prepared or
2 prosecuted patent applications yourself?

3 A Yes, I have.

4 Q Approximately how many?

5 A I would estimate approximately 200.

6 Q Have there been occasions in your professional career
7 when you have received recognition as an expert in Patent
8 Office practices and procedures?

9 A Well, I have, I suppose, indirectly by being asked to
10 testify before various senate and congressional committees,
11 like the Hruska -- H-r-u-s-k-a -- Committee.

12 I was elected to the Board of Managers of the
13 American Patent Law Association for the period -- I've for-
14 gotten the period -- I think it was '78 to '81, but I'm not
15 sure, and various other American Patent Law Association and
16 Licensing Executive Society committees I've been appointed
17 chairman of the various committees.

18 Q During your 20-year tenure as a professor have you ever
19 represented any parties, either in litigation or otherwise,
20 as their attorney?

21 A I have not, except on one occasion about ten years ago
22 I did represent, in a patent suit in the U. S. Court of
23 Claims, a business acquaintance and personal friend of mine
24 under 28 U.S. Code 1498 for an unauthorized use of a patent.
25 But that case never went to trial, and was

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1 Kayton - direct

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2 settled before trial.

3 Other than that, however, I have not functioned
4 as an attorney representing a client in patent matters.

5 Q Have you, prior to today, ever been proffered as a
6 patent expert witness on matters dealing with practice,
7 customs, usages and proceedings in the United States Patent
8 Office before any United States District Court?

9 A Yes, I have.
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1 Q On how many occasions?

2 A During the past fifteen years it is more than twenty.
3 It's probably 25 times.

4 I really stopped paying close attention to the
5 number after twenty. It's probably -- this is probably the
6 25th time in fifteen years. It averages about 1-1/2 or two
7 appearances a year, I would estimate.

8 Q Have you on each of those occasions been determined by
9 the Court as qualified to testify as a patent expert witness
10 and express opinions on matters dealing with patent practice,
11 customs and usages?

12 A Yes, I have, on each of those occasions.

13 Q In your role as a consultant and patent expert witness,
14 how many cases, if any, in which you were involved dealt with
15 protested re-issue proceedings?

16 A Approximately eight or nine is my best estimate.

17 Q In how many of the cases in which you have actually
18 testified were issues of fraud before the U. S. Patent and
19 Trademark Office involved?

20 A Well, in most of the cases in which I've actually appear-
21 ed and testified fraud was an issue, but not all of them.

22 I would estimate in approximately 18 or 19
23 cases fraud has been an issue, and sometimes I appeared for
24 the plaintiff and sometimes for the defendant.

25 MR. KATZ: Your Honor, I'd like to hand you a copy
of the curriculum vitae which has been marked as Plaintiff's

Kayton - direct

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Exhibit 424, which contains a detailed biographical background of Professor Kayton, and I'd like to offer that.

THE COURT: All right, that's received.

(Plaintiff's Exhibit 424 was received in evidence.)

MR. KATZ: Your Honor, on the basis of the testimony that has been presented by Professor Kayton, I submit to the Court that he is duly qualified by education, knowledge and experience as an expert witness on matters dealing with Patent Office practice, customs, usage and procedures before the U. S. Patent and Trademark office, and that he may properly testify and offer opinions on that subject as related to the issues in this case pursuant to Rule 702 of the Federal Rules of Evidence.

THE COURT: Mr. Goldenberg.

Kayton - voir dire

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VOIR DIRE EXAMINATION

BY MR. GOLDENBERG:

Q Professor Kayton, when were you first engaged in connection with this matter?

A I believe I was first contacted by attorneys for the plaintiff in September of 1978. If by "engaged," you mean on a permanent basis, I don't know that that was when that took place. But it was not very long after September, 1978.

Q Since that time, have you devoted substantial amount of time in connection with this matter, including the Court proceedings and the proceedings in the Patent Office?

A The answer to that, if you lump them all together, Mr. Goldenberg, is yes.

Q What, approximately, have been your total charges to the plaintiff in connection with the work that you have done?

A I don't know what the total charges have been.

Q More than \$100,000?

A I am confident that it is more than that.

Q More than \$200,000?

A I don't know that that would be the case. Maybe, but I don't know.

Q You are talking over the last five and a half years?

Q Yes.

A Yes, that's my -- it's probably in the neighborhood of

Kayton - voir direct

1 \$200,000 over the last five and a half or six years.

2 Q Now, in the course of your work with the plaintiffs,
3 You have at various occasions consulted with plaintiff's
4 attorneys and recommended to them courses of action in the
5 United States Patent Office?

6 A No.

7 Q You have not?

8 A No. I have consulted -- it's a compound question.
9 The answer to the first half is yes, I have consulted.

10 Q And you have not suggested or participated in any way
11 in any proceedings in the United States Patent Office?

12 A No, that is incorrect. I filed two declarations with
13 the United States Patent Office.

14 Q And that's been the extent of your involvement with the
15 plaintiff's attorneys in the Patent Office proceedings?

16 A No.

17 Q What else have you done, sir?

18 A I have, as I do in all of the cases in which I appear,
19 without variation, consult with them with respect to their
20 proposed submissions of papers and their proposed course of
21 conduct during either a reissue or protested reissue for the
22 purpose of telling them whether I believe that what they
23 propose to do is proper and acceptable to me with the end in
24 mind that when I get on the stand, as I am on the stand today,
25 I can say comfortably that whatever took place was proper.

1 I never tell them what to do, but they have always told me
2 what they are going to do and asked my opinion as to whether
3 I am comfortable with it.

4 Q And you have done that, sir, on the basis of your legal
5 training and education, have you not?

6 A I have done it primarily on the basis of my under-
7 standing of the proper practice in the United States Patent
8 Office. To the extent legal knowledge is involved in that,
9 it involves legal knowledge. And often there is that under-
10 lying basis.

11 Moreover, I have always made it clear that
12 there are some legal positions that some attorneys take that
13 I would never be comfortable with, and on cross examination
14 should those legal issues come up, albeit inappropriately,
15 that I would testify on those legal issues as I saw appro-
16 priate. And I make that clear as well.

1 Q Well, you are not saying, are you, that in this consulta-
2 tion with plaintiffs that you have put out of your mind your
3 knowledge and understanding of patent law?

4 A I thought I said exactly the opposite.

5 Q I think you have told us you have filed on behalf of
6 the plaintiffs in the Patent Office proceedings one or more
7 affidavits or declarations, isn't that correct?

8 A Yes, I have.

9 MR. KATZ: Your Honor, I have a whole line of ques-
10 tioning going into Professor Kayton's involvement with the
11 re-issue proceeding, and perhaps this was premature to take
12 it on the voir dire at this stage and maybe I should just
13 reserve -- perhaps the Court could reserve the ruling on
14 qualification until we finish that section up so we don't
15 invert the natural order of testimony.

16 MR. GOLDENBERG: Your Honor, I think my line of
17 inquiry goes to a matter which I think the Court should ad-
18 dress very early, namely, Professor Kayton's right to testify
19 at all.

20 THE COURT: All right, proceed.
21 BY MR. GOLDENBERG:

22 Q In one or more of those papers you have made on behalf
23 of the plaintiffs legal arguments to the Patent Office, have
24 you not?

25 A That is not a correct characterization, although I have

1 made legal statements, but always from the point of view of
2 demonstrating to the examiner that he was not following ac-
3 cepted practice in the United States Patent Office, particu-
4 larly with respect to the Manual of Patent Examining Pro-
5 cedure, which, your Honor, I may point out is neither statute
6 nor rule, nor law but the Commissioner's guidelines to the
7 examiner as to how to apply the rules of practice.

8 The thrust of my declaration was to show that
9 the examiner was using the wrong part of the Manual of Patent
10 Examining Procedure in determining the burden as between the
11 protesters and the applicants for showing whether or not a
12 third party had actually reduced an invention to practice.
13 He had in fact used a standard unrelated to that subject,
14 unwittingly, and it was quite understandable that he did.
15 He used a standard that had to do with a public use time
16 bar and the inter-relationship of those people in a public
17 use time bar, as distinguished from the standard to be used
18 when there is very unreliable evidence, such as a third
19 party's assertion of prior invention.

20 Now, all of that was discussed in the MPEP,
21 and I pointed out that he was using the wrong standard, and
22 I further pointed out that the U. S. Court of Customs and
23 Patent Appeals had expressly ruled on that subject.

24 Q Professor Kayton, I would appreciate it if you would
25 answer my question and keep your answer directly to the

1 question I put to you.

2 A Well, I always try to do that, Mr. Goldenberg, and if--

3 Q No, sir, I don't think you --

4 A -- I have not done that, I apologize --

5 Q I don't think you --

6 A -- and I will try harder.

7 Q I don't think you quite succeeded that time, though.

8 A Well, we will give it a better shot next time if that
9 is true.

10 Q All right, sir, I have a copy of your declaration, a
11 declaration filed in the Patent Office by you on April 12,
12 1982 in connection with the re-issue protest proceedings,
13 and I ask you if you can't agree with me, sir, that what you
14 have done in that declaration is advance numerous legal ar-
15 guments, with citation of legal authority?

16 A I have done that precisely in the way that I indicated,
17 your Honor, as a predicate for pointing out that the practice
18 in the Patent Office under the MPEP was not properly being
19 followed by the examiner.

20 MR. GOLDENBERG: Your Honor, I have a copy of that
21 for --

22 MR. KATZ: Could we have a copy of that?

23 MR. GOLDENBERG: -- examination by the Court.
24 It is tab number 2 in this binder.

25 MR. KATZ: Do you have a copy for the plaintiffs?

Kayton - voir dire

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MR. GOLDENBERG: No, I do not.

It is in the file wrapper, and I have given you the date.

MR. KATZ: What was the date on there?

BY MR. GOLDENBERG:

Q What is the date, Professor Kayton?

A April 12, 1982.

Kayton - voir dire

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1 I might point out in item 15, I make reference
2 to the Manual of Patent Examining Procedure and that other
3 area from which the examiner had drawn the improper burden
4 of persuasion, namely the 102(b) bar that I mentioned. And
5 that was the thrust of the paper.

6 You may note, Mr. Goldenberg, that in the
7 MPEP in those sections there is extensive citation of cases
8 on that subject, and therefore in order properly to present
9 the subject matter about the Manual of Patent Examining
10 Procedure which contained those cases, I had to make some
11 response specifically thereto.

12 Q Have you completed your statement, sir?

13 A Well, I thought I completed my answer.

14 Q All right. Now, prior to the preparation of that declar-
15 ation and such other declarations as you submitted on the
16 plaintiff's behalf, did you not in fact sit with the plain-
17 tiff's attorneys and consult with them on what their responses
18 should be to various positions taken by the protesters and
19 taken by the patent examiner?

20 A No.

21 Q You did not?

22 A No. I consulted with them extensively on what their
23 proposals were going to be and whether I could accept them.

24 Q All right, sir. Now, let's go on.

25 You have attended various parts of this trial,

1 have you not?

2 A Yes.

3 Q Let me come back to this matter of consulting with the
4 plaintiff.

5 Well, isn't it the fact, though, sir, that
6 whatever was submitted to the Patent Office was always in
7 accordance with some view you had about the matter?

8 A No. I agreed to whatever view they advanced.

9 If they ever mentioned a view that I couldn't
10 accept, I would have told them. I have no recollection how-
11 ever of that having happened.

12 Q So we just had this remarkable situation over a period
13 of five years of just complete consistency of an agreement
14 between the plaintiff's lawyers and you on what courses to
15 take and what should be said?

16 A It's not amazing at all. It happens in virtually every
17 case in which I'm involved, including with John Lynch when I
18 was his expert witness, and others of his partners.

19 Q All right, sir, let's go on to this trial.

20 You have attended it, have you not, some por-
21 tions of this trial?

22 A I have attended, yes, some, many portions of this trial;
23 and to the extent I was not here physically -- as I never was
24 on Mondays and Tuesdays, your Honor, except for today -- I
25 have read the transcripts.

1 Q Now, at various times during the course of this trial
2 you have met with one or more of the witnesses who have
3 testified in this case, have you not?

4 A Correct.

5 Q And what witnesses have you met with?

6 A I have met Jeffrey Frederiksen; Dr. Schoeffler, I think
7 his first name is James; David Nutting, very, very briefly;
8 and I think that's all.

9 Q Did you have one or more meetings with Mr. Frederiksen?

10 A Oh, I had no meetings in the formal sense. But in the
11 offices of Welsh and Katz when various activities were going
12 on, I was in his presence two or three times; and more than
13 that with Dr. Schoeffler.

14 Q Did you ever discuss with Mr. Frederiksen what might be
15 the content of any testimony he would give in this case?

16 A I believe I never discussed that with Mr. Frederiksen,
17 is my best recollection.

18 Q Have you ever discussed that with Dr. Schoeffler?

19 A I discussed with Dr. Schoeffler what had been his testi-
20 mony at one time, and I discussed with him several times what
21 he thought would be his testimony.

1 Q Did you in the course of those discussions, sir, make
2 any suggestions to him about the form and content or content
3 of his answers?

4 A In his prospective testimony, you mean?

5 Q Or previous testimony.

6 A No. What I did in fact do, however, was tell him that
7 I did not understand the nature of his testimony one day in
8 view of what he had earlier told me he was going to testify
9 about. And that is in fact what I discussed with him. I,
10 of course, could be more specific if you wish.

11 Q Was there more than one occasion, sir, where you had
12 such a discussion with Dr. Schoeffler?

13 A I was in Dr. Schoeffler's presence many times when he
14 and the attorneys were discussing his forthcoming testimony.
15 My discussions with him on the subject that I just described
16 to you occurred perhaps two or three times.

17 Q Wouldn't it be correct, sir, that you would be the
18 person who suggested to Dr. Schoeffler that in response to
19 questions put by Mr. Lynch, you prefer that he use the word
20 "inherent" rather than "inferred" or "implied"?

21 A I didn't suggest that at all. I told him that based on
22 his earlier explanation to me about what the disclosure con-
23 tained, the word "inference" or "implication" was inconsistent
24 with what he told me the disclosure was, and I wanted from him
25 clarification.

He said, "Well, I don't understand what you mean." And I said, "Well, you had told me that this disclosure has certain characteristics that, advantages and functions that are very definite and specific."

I said, "If that is the case, I understand. But what you said on the stand was that it was implicit or inferred. That," I told him, "meant to me that it could be this way or that way or a third way." But if what he meant was that a person of ordinary skill in the art seeing this disclosure would know it functioned this way, would know that it had that advantage, that meant it was inherent.

And I had told him that's what I had understood he had told me earlier. And he said that was exactly what he had told me, and that he would rectify it the next day, which in fact he did.

Q Yes, we remember that well.

Now, isn't it true, sir, that when you told him that, that what you had in mind was that the word "inherent" has a legal significance in patent cases that the word "inferred" or "implied" does not have?

A Was that a question?

Q I thought it was.

A Oh, I'm sorry.

Q I will have the reporter read it.

A I misunderstood it then.

1 Q I will have the reporter read it to you.

2 A Glad I asked, or we would have paused a long time.

3 Q (Read by the reporter.)

4 THE WITNESS: I don't get the question. I don't
5 understand the question.

6 BY MR. GOLDENBERG:

7 Q When you suggested to Dr. Schoeffler that you used the
8 word "inherent" --

9 A No, I never suggested that he use it.

10 Q This word came from him?

11 A No, not at all. I asked him whether he meant one or
12 the other. And it was very important to me that it be one or
13 the other, whatever he wanted it to be, because during part
14 of my testimony, I will rely as a predicate upon his testimony.
15 Therefore, I wanted to be clear as to what he was saying. In
16 fact, I wanted to not be confused since earlier he had said
17 that to a person of ordinary skill in the art, that disclosure
18 meant certain things that were very definite. And in order,
19 therefore, for my testimony thereafter to have an unambiguous
20 predicate, I wanted to know whether it was inherent or not.
21 And that, of course, had nothing to do with law except to the
22 extent that those words mean different things.

23 Q So when Dr. Schoeffler said that you, Mr. Schnayer and
24 Mr. Katz gave him the interpretation of a legal term, the
25 term "inherent," he misunderstood what was happening?

1 A No, he never said that. He said he discussed that term
2 with the attorneys and thereafter conferred with me and asked
3 what that meant. He did not say that the three of us had a
4 legal discussion with him.

5 Q Well, what he said is in the record, sir.

6 A Sure.

7 Q We all have to live with it.

8 A That's a fair statement.

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Kayton -

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1 MR. GOLDENBERG: Your Honor, I would at this time
2 move that the Court not hear Professor Kayton as a patent
3 expert on behalf of the plaintiffs. I think it quite clear
4 that he has been deeply involved in the preparation of this
5 case, the proceedings before the Patent Office.

6 I well appreciate that the matter comes to you
7 with a kind of gloss over that is put by the professor in
8 his responses to his questions, but I think, nevertheless,
9 when one really considers what has happened here, these en-
10 tire proceedings in the Patent Office deeply involved Pro-
11 fessor Kayton, deeply involved Professor Kayton consulting
12 with the plaintiff's attorneys, discussing courses of action
13 with them from a legal point of view, not just from the
14 Patent Office procedural point of view, far beyond that.

15 I think the document that you have in front
16 of you, although it appears in the form of a declaration or
17 affidavit submitted to the Patent Office, is nevertheless
18 a legal brief or memorandum submitted by Professor Kayton
19 on behalf of the plaintiffs, and I think what you will hear
20 is really nothing more or substantially nothing more than
21 what you would hear from any attorney standing here in the
22 well arguing to you.

23 The fact that Professor Kayton will be under
24 oath doesn't alter the matter one whit. It will, neverthe-
25 less, be legal argument.

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1 I do believe that under Rule 402, it will be
2 essentially a waste of this Court's time and will not advance
3 the matter at all, and so that is a second reason.

4 So I come to the two reasons: that there has
5 been a participation by Professor Kayton, for all practical
6 and real purposes, as a lawyer on behalf of the plaintiffs,
7 and it would be improper for him to testify. I further be-
8 lieve that the testimony that he will offer is going to be
9 in the main not useful or helpful to the Court.

10 THE COURT: Mr. Katz?

11 MR. KATZ: Your Honor, the plaintiffs have called
12 Professor Kayton as an expert to testify on patent practices,
13 customs, and usages. Practices, customs and usages are
14 facts, and they are provable by expert testimony.

15 The customs and practices in the Patent Office
16 are controlling as to what, for example, is part of the
17 patent specification, and many of the questions raised by
18 the Court are answered by what the Patent Office does in its
19 normal customs, practices and procedures, and those are
20 facts.

21 The fact that that is controlling is a matter
22 of law, and there is a case, Emerson v. Haag, which is an
23 old 1800's case, and there is some more recent cases that
24 have particularly supported that proposition.

25 Also the customs and practices determined

1 the interpretation of claims and the principles of claim
2 drafting. All those are essentially facts.

3 Infringement is another question, and that is
4 going to be based on Dr. Schoeffler's testimony, and I submit
5 that Professor Kayton has only acted as an expert in connec-
6 tion with his discussions with Dr. Schoeffler.

7 You have two experts, one of whom's testimony
8 from the customs, practices, and drafting sense is going to
9 rely on technical opinion of Dr. Schoeffler here.

10 Also the defendants have made fraud charges
11 since they filed their answer and counterclaims in this
12 case, and those fraud charges, which were filed against
13 the plaintiff, have been taken note of, and in the re-
14 issuing proceeding the plaintiffs, I submit, were entitled
15 to have an expert on Patent Office practices and the high
16 standard of conduct required by Patent Office Rule 56 of the
17 high standards to the Patent Office and to have papers re-
18 viewed by an expert to make sure that the conduct standards
19 were satisfied.

20 In connection with the declarations -- and I
21 believe it was one declaration filed in the Patent Office,
22 and the other one was just a statement saying that Professor
23 Kayton had in fact reviewed the papers in the file prior
24 to making his previous declaration -- that in itself was
25 functioning as an expert. Professor Kayton was functioning

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1 as an expert before the Patent Office.

2 The matter has been done before. Judge
3 Stapleton, I understand, recently in a case just this last
4 February in Austin Powder Company versus Atlas Powder Com-
5 pany in the District Court in Delaware, has accepted testi-
6 mony of Professor Kayton in the same or similar circum-
7 stances, where he had been reviewing matters of proceedings
8 in the Patent Office after the defendants waged fraud charges
9 against the plaintiffs.

10 So I submit that Professor Kayton's testimony
11 for that reason is proper, will be helpful to this Court.

12 A lot of questions have been raised with
13 respect to patent practices and sort of the arcane points of
14 patent drafting principles and so on that have been involved
15 in this case, which is unusually complex. Professor Kayton
16 has a peculiar background or unique background in the sense
17 or being well-versed in patent practices, customs, and usage
18 over a long period of time, including the period of time that
19 is relevant to this case, as well as having a certain tech-
20 nical competency, at least to the extent of understanding the
21 terminology used in the patent and in this art, and can pro-
22 vide illuminating testimony that should ultimately expedite
23 the resolution of the issues and the disposition of this
24 case.
25

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1 MR. GOLDENBERG: Your Honor, may I respond briefly.

2 I really don't think plaintiff has addressed
3 itself to the principal issue which I presented to the Court,
4 namely, Professor Kayton's participation and functioning as
5 a lawyer with respect to the Plaintiff's activities in the
6 Patent Office proceedings.

7 Instead, however, he's gone off on another
8 matter, which I'm quite willing to address, and I will.

9 As far as the proceedings and the usages of
10 the practice of the Patent Office, I don't think there's any
11 dispute between the parties as to those. And so those really
12 aren't issues. They're fully set forth in the voluminous
13 record of those proceedings which have been offered as evi-
14 dence in this case.

15 And to the extent that either side wants to
16 have reference to them, goodness knows, they're available.

17 And, indeed, whatever either side wants to
18 draw, there's a record to permit them to do that.

19 And as I've said, I don't think we dispute--
20 there's any dispute between us with respect to issues and
21 practices in the Patent Office.

22 In that connection I am reminded that a long
23 time ago when this case started and the plaintiff sought
24 its reissue, your Honor went along with essentially putting
25 over this case with the hope and expectation that the pro-

1 proceedings in the Patent Office would be of help to you from a
2 technical point of view.

3 I give it to you as my view, that has not been
4 the case. And when those proceedings are compared with the
5 actual evidence you've heard in this court, I think that will
6 become quite clear.

7 But that's another matter also, but I do think
8 you should have that in mind.

9 Beyond that, I well appreciate that Professor
10 Kayton has testified in numerous cases. However, some of
11 our courts have spoken on this matter of the lawyer expert.
12 And I direct your attention to Marx and Company v. Diners
13 Club at 550 F. 2d 505, and that's the Second Circuit in 1977.

14 In that case a securities law expert was
15 called to testify, and the District Court -- and it was a
16 jury case -- permitted this securities expert to give his
17 opinion as to the legal obligations of the parties under a
18 certain contract.

19 The Court of Appeals held that was error.
20 They said, "He may be qualified to explain the step-by-step
21 practices followed by lawyers and corporations in shepherd-
22 ing a registration," and I think you could read for that,
23 obtaining a patent.

24 The witness in that case went further, how-
25 ever, and the Court said, "Rather, he gave his opinions as

1 to the legal standards which he believed to be derived from
2 the contract and which should have governed Diners' conduct."

3 And the Court of Appeals held that it was
4 error, at least in front of a jury situation, to receive that
5 kind of testimony.

6 That case has been followed most recently in
7 Federal Aviation Administration v. Landy, again the Second
8 Circuit, at 705 F. 2d page 624, and a bit earlier in United
9 States v. Schiff, S-c-h-i-f-f, 612 F 2d 73, again the Second
10 Circuit in 1979.

11 not accurate.
12
13 is one thing to say that a person is a liar, but it is
14 not accurate to say that a person is a liar who is a liar.
15 It is not accurate to say that a person is a liar who is a liar.
16 It is not accurate to say that a person is a liar who is a liar.
17 It is not accurate to say that a person is a liar who is a liar.
18 It is not accurate to say that a person is a liar who is a liar.
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24 It is not accurate to say that a person is a liar who is a liar.
25 It is not accurate to say that a person is a liar who is a liar.

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I make a particular point that all of these cases were decided after the enactment of the new Federal Rules of Evidence. And essentially what these, or as I understand what these say, that indeed opinion evidence may be received by the Court if the Court believes that that opinion -- and even on an ultimate issue, so-called -- if that's going to be helpful to the trier of the fact.

Opinion evidence offered on conclusions of law -- and I understand there's a gray area there, but I really think you're going to hear a great deal of that-- is not acceptable.

An opinion helpful to the trier of the fact is one thing. To have a witness, particularly a witness who has served the role in this matter that Professor Kayton has, pronouncing from the bench -- from the witness stand what he believes the law to be, what he believes what complies with the law and what does not comply with the law, we think is a usurpation of the Court's province of the matter, and shouldn't be heard.

THE COURT: All right, thank you.

I don't think that Professor Kayton's participation in the Patent Office proceedings can be likened to full participation in a trial. So I think the lawyer-witness rule doesn't apply here, that is, the rule that says that a lawyer cannot at once participate in the prosecution or

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1 defense of a case and testify as a witness.

2 What has occurred here comes fairly close to
3 participation in the case, but I think the real vice that the
4 rule seeks to avoid is some kind of advantage that the wit-
5 ness might obtain by appearing as an advocate in the very pro-
6 ceeding before the same trier of fact before whom he appears
7 as a witness.

8 That is not occurring here. Whatever Prof-
9 fessor Kayton did in the Patent Office really has no influence
10 on me and could hardly be expected to have any influence on
11 me.

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1 The rest of the arguments, I think, are argu-
2 ments that go to the weight of the testimony rather than
3 its admissibility. Therefore, the objections will be over-
4 ruled and the witness will be permitted to testify.

5 MR. KATZ: Thank you, your Honor.

6 DIRECT EXAMINATION (Resumed)

7 BY MR. KATZ:

8 Q Professor Kayton, would you please describe the extent
9 of your knowledge of the protested reissue proceedings from
10 the time that you indicated that you had first become involved
11 in September, I believe, of '78, from that time until the
12 issuance of the Frederiksen and Nutting reissue patent 31441
13 here in suit, the patent I believe issued on November 15,
14 1983?

15 A Well, I have largely answered that question on voir
16 dire, but not completely.

17 I have read all of the papers that were sub-
18 mitted by both the protesters and the applicants, that is,
19 the defendants and the plaintiffs, and the examiner's papers,
20 including the exhibits; but in all fairness, when the ex-
21 hibits were technical exhibits, I did not really read them
22 for content except to the extent that it was necessary to
23 get an idea of them in relationship to the patent procedure
24 that was going on.

25 I was also privy to various motions and

1 hearings before this Court, but solely to the extent that they
2 were related to what was going on in the re-issue proceeding.

3 I was aware of statements of the Court saying
4 that the Court was interested in the examiner's technical
5 evaluation of prior art, and very much aware of the Court's
6 view about getting it and continuing the trial to the
7 issuance of the patent solely from the point of view in
8 that instance, your Honor, in trying to schedule my time for
9 the trial.

10 And that's about it.

11 Q Professor Kayton, what have you done in preparation for
12 your testimony today?

13 A Well, in addition to being conversant with all of the
14 reissue papers, I have either been in court or read the
15 transcripts of the court proceedings that have taken place.

16 But far more than any of that, your Honor,
17 I have prepared exhibits that are compendia, organized and
18 reorganized compendia of the proceedings in the Patent Office.
19 Your Honor, those 20 volumes over there on the table, those
20 three linear feet, are the chronological sequence of papers
21 in the Patent Office during those five years and three months
22 which are virtually impossible to deal with, because they are
23 just in chronological order. There are over 181 official
24 papers, each one of which is sometimes as thick as a book.
25 So what I have done, as will become clear

1 during my testimony, was to check those papers and organize
2 them into various exhibits that I believe will respond to
3 the Court's interests in finding out the examiner's evalua-
4 tion from a technical point of view of the prior art in
5 relationship to the patentability of the claims. But rather
6 than tell you what all of those compendia are in advance,
7 they will be forgotten, I am sure, as soon as I say them,
8 because there are a lot of things; I would rather describe
9 them as they are introduced.

10 I am convinced that they will be helpful in
11 expediting the proceedings. And I have spent a lot of time
12 putting them together.

13 Q Professor Kayton, would you give a brief exposition of
14 the nature of protested reissue proceedings and what it en-
15 tailed in the prosecution of the reissue patent in this suit?
16 A Well, a protested reissue is both a reissue and one that
17 is protested, typically by a litigant.

18 Now, a reissue is a proceeding wherein an
19 original patent is brought back to the Patent Office for a
20 completely de novo re-examination of every issue that could
21 possibly come up in the Patent Office, particularly as in
22 this case where there is litigation and prior art by the
23 defendants is alleged to be of importance on the subject of
24 validity or invalidity that had not been considered by the
25 examiner.

1 But, in addition to its being a reissue, it
2 has particular significance and effect because it is pro-
3 tested, which means that you have an inter-parties proceeding,
4 a de facto inter-parties proceeding wherein the examiner has
5 the opportunity not only to use his expertise, which is
6 the object of examination, whether it be reissue or an orig-
7 inal application; but in addition has the expertise and the
8 arguments of the defendants in this case with respect to
9 each item of prior art.

10 And that is in fact what took place over a
11 period of over five years and what's memorialized in those
12 20 volumes.

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olumes,

Q Professor Kayton, you stated that this protested re-issue proceeding is in effect an adversarial or interparties proceeding. Are there any restrictions with respect to procedure placed on protesters and were such restrictions placed on the defendants in this reissue proceeding?

A. There are virtually no restrictions placed upon the protesters in terms of full participation and interparties adversarial activity.

There are, originally, when protested re-issues first started, they were formally denominated ex parte and the protesters had to seek permission to do most of the things that the protesters in this case were automatically allowed to do.

As protested reissues developed, the Patent Office's views and permissions became very, very lenient and the only two things the protesters were not permitted to do was to initiate an interview on their own behest.

However, under the rules, if the applicant sought an interview, the protester was automatically entitled to appear and partake in, participate in the interview.

The only other restriction on the adversarial nature of the proceeding was the protesters, should the applicant gain allowance of the claims, the protesters were not permitted to appeal that determination to the Patent Office board of appeals and to the U. S. Court of Customs

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and Patent Appeals in the Federal circuit, but protesters had a very, very effective form of reviewing this case via petition to the Commissioner of Patents, which they exercised and have successfully.

Ultimately, of course, the final review in a protested reissue, which they have, is before this Court.

Those are the only restrictions. Otherwise, they were unrestricted in advocating an adversarial position in that proceeding, something in fact that the applicant's attorneys were never permitted under the rules to do.

Q Are there ways in which the applicant, that is, the plaintiff here in this case, was restricted in its participation in the reissue proceeding?

A Yes. One of the very heavy burdens that an applicant has in a protested reissue is as follows: The applicant is obliged to behave before the Patent Office as if the, as if the proceedings is ex parte and is, therefore, subject to the obligations of the utmost candor in carrying out that proceeding, which means clearly established that the applicant's attorney must present a fair overall view, true but only half-true statements are impermissible, and the application may be stricken if that obligation of utmost candor is not satisfied.

The protesters, on the other hand, have no such obligation whatsoever. They are completely permitted to

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1 function as an advocate, as an adversary. They are permitted
2 literally to function as they do in a Court of law; that is
3 to say, as long as what they present is true, it is accept-
4 able, albeit misleading and albeit a half-truth, leaving it
5 to the applicant's attorney to straighten out the proceeding,
6 to correct it.

7 Now, that's an entirely understandable situa-
8 tion as the rules developed. And it results in an incredibly
9 vigorous examination of the prior art. It slows the pro-
10 ceedings in the Patent Office down tremendously, your Honor,
11 because the applicant's attorney must keep coming back to
12 restate what it considers to be the whole truth. And in
13 fact, the length of those proceedings and this disparity
14 between the roles has become very clear and is finally the
15 reason why the Patent Office discontinued protested reissues,
16 despite the fact that it gave Courts the opportunity to have
17 both the expertise of the examiner on the art before it and
18 the vigorous contest of the defendants as well during those
19 proceedings.

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Kayton - direct

1 THE COURT: When did they discontinue it?

2 THE WITNESS: Within the last year and a half, is
3 my recollection.

4 MR. KATZ: I believe we were one of the last cases,
5 if not the last one.

6 THE COURT: You are the ones that broke the camel's
7 back?

8 THE WITNESS: No, your Honor, there have been pro-
9 ceedings longer than this, six-year proceedings. I have been
10 privy to -- I didn't mean to interrupt. Excuse me.
11 BY MR. KATZ:

12 Q You stated, Professor Kayton, that the two restraints on
13 the protester were that they could not initiate an interview
14 with the examiner and they had no rights of appeal from the
15 allowance by the Patent Office, except to the extent of pe-
16 titioning the Commissioner and having this matter tried by
17 this Court.

18 A Yes.

19 Q With respect to the interview, did the applicants, the
20 plaintiff in this case, ever initiate or have an interview
21 with the examiner?

22 A No, they did not.

23 Q With respect to the alleged lack of right to appeal by
24 the protesters, did the protesters petition the Commissioner
25 for review of any decision of the examiner favorable to the

1 applicants?

2 A Yes, indeed that happened.

3 Q At what point in the proceeding was this petition by
4 the defendants filed? Do you have that?

5 A Yes. I don't have the exact date immediately before me,
6 but I can get it quite easily. It appeared in Official Paper
7 No. 2, and I am now, your Honor, making reference to a special
8 compendium that I have, about which I will tell you when it is
9 more appropriate, I think; but that took place in point of time
10 February 20, 1981, but most importantly, it took place at a
11 crucial point in the procedure.

12 What had happened was that the examiner had
13 allowed the claims in the case but had allowed the claims in
14 the case not in their current form. The examiner had said
15 that he would allow claims if the claims were narrowed signi-
16 ficantly to avoid what he considered to be art that was impor-
17 tant, and if that were done, he would allow the claims.

18 The applicants immediately narrowed those
19 claims, although they did not have to in their opinion narrow
20 them in order to avoid the prior art, but they did do so, and
21 that was at a time, you may recollect, your Honor, when there
22 was a big issue of speed in going to trial.

23 They in fact were prepared to give up signifi-
24 cant property rights for that expedition, and
25 they did, and the examiner immediately allowed the claims.

1 Then the protesters after that allowance
2 petitioned the Commissioner of Patents, and indeed, the
3 Commissioner -- the basis for the petition was simply that
4 primarily the protesters had submitted prior art that the
5 examiner had not considered because he allowed the claims as
6 narrowed before he received that prior art. The protesters
7 petitioned and raised other grounds of error on the part of
8 the examiner.

9 The Commissioner said he would reserve judg-
10 ment on the other grounds, but he felt that indeed the
11 examiner should have considered that prior art, and he re-
12 opened the proceedings for that consideration and the whole
13 thing started all over again.

14 At that point, in fact, after that was re-
15 opened, the applicants refused to accept the narrower claims
16 and reinstituted the broader claims, stating in fact that
17 since they were obliged to do it in any event, they would go
18 back to the broader claims that they felt that they were
19 entitled to, and this issue came up before this Court and was
20 reported by the protesters to the examiner, and the examiner
21 expressly indicated that if you genuinely feel that the
22 claims that you are entitled to are broad, then you should
23 reinstitute them, and that is exactly what the applicants
24 did.

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1 Q Did the defendants file any new evidence in addition to
2 its petition to obtain the reopening of the examination?

3 A No. The defendants filed nothing. They just re-
4 quested that it be reopened based upon the failure of the
5 examiner to consider that last piece of prior art.

6 They did make allegations that the examiner
7 erroneously construed the claims, but they introduced no new
8 evidence at that time.

9 Q Professor, was there any official decision issued by the
10 Patent Office indicating that it would only render a final
11 decision in these reissue proceedings when it had considered,
12 that is, the Patent Office had considered all of the informa-
13 tion necessary to resolve the issues that were before it?

14 A Yes, it did. And I would like briefly to do two things:
15 One, point out where that happened, and then perhaps tell you
16 now, your Honor, about some of the compendia that I have here,
17 one of which I will immediately make reference to.

18 There are two sets of parallel materials that
19 we're going to use. The first thing that I did was to take
20 all of the substantive papers that the examiner prepared and
21 put them into this one volume, which is Plaintiff's Exhibit
22 415, and it's color-coded with this pink horizontal line.

23 Then I took all of the substantive papers that
24 the applicants submitted, and they appear as Plaintiff's
25 Exhibit 413, but there are three volumes of them.

2 Kayton - direct

1 They're color-coded blue, and volume 1 has a
2 single horizontal line, volume 2 has two blue horizontal lines,
3 and volume 3, of course, three.

4 The substantive papers of the protester
5 defendants I likewise color-coded black, with one, two and
6 three horizontal lines.

7 Now, I can, therefore, if I need to make
8 reference to anyone's papers, assuming it's a substantive
9 paper, not one of the many procedural papers, pick up Plain-
10 tiff's Exhibit 415 to get the examiner's papers, Plaintiff's
11 Exhibit 413 to get the applicant's, and 414 to get the
12 protesters'.

13 MR. GOLDENBERG: Your Honor --

14 THE COURT: Mr. Goldenberg.

15 MR. GOLDENBERG: -- we just received these color-
16 coded pages this morning, and it's going to be -- they're not
17 numbered in any way that I can figure out, and if we could --

18 THE WITNESS: They are, Mr. Goldenberg. They're
19 Bates numbered --

20 MR. KATZ: They're completely Bates numbered.
21 They're substitutes for the non-colored pages that you got
22 before.

23 MR. GOLDENBERG: May I finish?

24 What I would like, Judge, is just a few moments
25 to insert the color-coded pages in this 415 volume which we

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had received sometime earlier, and then I think we would be able to follow better Mr. Kayton's testimony.

THE COURT: All right. Let's take a ten-minute recess.

MR. KATZ: Thank you, your Honor.

(Brief recess)

1 Q When we left, I believe you were explaining, Professor
2 Kayton, the compilation which is Plaintiff's Exhibit 415
3 with the pink stripe.

4 A Yes, that's the pink coded one, it's just one volume.

5 And in response to your question, I would like
6 to make reference to index tab R at the back and particularly
7 the Bates number 149 page in that index tab. In this, we
8 were already, as you can see in the part of the book, dealing
9 with the Rule 56 proceeding. And in that proceeding, the
10 applicant had requested that the Patent Office not consider
11 a paper that the protesters had filed because they asserted
12 it was not timely filed.

13 Well, the Assistant Commissioner, on page 149
14 in the green highlighted section, said: "Those requests seek
15 to interfere and direct the office to examine the application
16 in a manner inconsistent with the orderly process established
17 under 37CFR1.56(e).

18 "Quite simply, a decision will only be rendered
19 when this office has considered all the information necessary
20 to resolve the issue remaining."

21 Now, this was characteristic of the entire
22 re-issue proceeding. There was no formal rule with respect to
23 when the proceeding would be terminated, as there is typically
24 in the prosecution of the patent application. No such rule
25 was available. And the Patent Office said it would consider

1 information that bore on the issues.

2 Now, this was, in my view, entirely reasonable
3 approach to take, because this was a protested reissue, it
4 was interparties, and the Patent Office knew that this was
5 something that was in litigation and was determined to render
6 its decision on the technical issues in the prior art based on
7 all the evidence to be of as much help to the Court as
8 possible.

9 Q Now, going back to the defendant's petition, which they
10 filed in the Patent Office after the examiner had first al-
11 lowed the claims and the examiner re-opened and undertook a
12 re-examination again of this case on the merits of patent-
13 ability; what was the result of that re-examination?

14 A Well, the result of it was, first, the examiner started
15 the prosecution again, considered the prior art, and then on
16 his own volition, considered the issues the protesters raised
17 on its petition and which the Assistant Commissioner did not
18 rule upon, but went on his own initiative into all of those
19 issues and essentially re-opened prosecution and asked for
20 more information.

21 If we could turn to index tab G in that book,
22 particularly at Bates 65, the Commissioner stated at the
23 bottom where it is highlighted in yellow:
24 "However, the examiner has arrived at a reasoned
25 conclusion that genuine issues of material fact

1 remain unresolved. Consequently, the indication
2 that the claims avoid the prior art is being re-
3 grettably withdrawn. And prosecution is being re-
4 opened to consider the issues set forth infra."

5 And then farther on, on page 76 and 77, high-
6 lighted in yellow, he said:

7 "As to the last three points being treated together
8 and involving the aspects of obviousness, questions
9 have surfaced requiring a factual inquiry before
10 an absolute conclusion against obviousness can
11 be drawn."

12 Then on the next page he says:

13 "However, upon further consideration, the examiner
14 is now of the opinion that the evidentiary record
15 may not have been sufficiently complete."

16 Therefore, responsive to that petition he
17 simply re-examined the whole thing and he said:

18 "I am not sure now in view of the issues raised
19 and I want further evidence and further infor-
20 mation."

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1 Q What action did the plaintiffs then take with respect
2 to the claims that were presented in the reissue proceeding?

3 A Well, the plaintiffs did exactly what I indicated
4 earlier. At this point they in essence reinstated all of the
5 original claims, and rather than go forward with the narrow
6 claims, giving them narrower property, they proceeded on to
7 have claims that were much broader, and the prosecution con-
8 tinued with those broader claims, with extensive submissions
9 of depositions and affidavits by both sides obtained during
10 the discovery in these proceedings.

11 Q What final action did the examiner then take with
12 respect to the merits of patentability on these claims in the
13 reissue proceeding?

14 A Well, the examiner rendered ultimately a final allow-
15 ance, which appears under index tab M, as in Mary. He express-
16 ly on Bates pages 120 and 121 went through five findings
17 dealing with the issue of whether the claimed invention was
18 or was not publicly known, under Section 102(a) of the
19 statute, or obvious over public knowledge, and he held that
20 it was not publicly known and the claims were allowable on
21 that basis.

22 Then on page 124, which is not highlighted,
23 your Honor, here, but I nonetheless would like to call it to
24 your attention, pages 124, 125, and 126, he listed 22 findings
25 dealing with the issue of whether or not the claimed invention

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had been invented independently by a third party earlier under Section 102(g) of the statute or whether those claims were obvious over that activity. He found that there was not that.

Then finally on page 127, he started, and going on to 128, he gave five separate findings for the non-obvi -- those are not highlighted either, your Honor -- he gave five separate findings of why the claims were unobvious over all of the prior art based upon the objective indicia of non-obviousness or the secondary considerations, such as the spurring on of Bally once they saw that the Frederiksen device worked, skepticism of those skilled in the art, and various other things, licensing.

So those were under secondary considerations required by the Graham v. John Deere standard and required in the Patent Office expressly in the Manual of Patent Examining Procedure for an examiner to make a finding with respect and in order to determine whether claims are allowable.

Ultimately on Bates 129, he simply expressed the proposition that the various submissions have been entered; the rejections under 102(a), 102(a)/103 -- which means is it obvious or not over publicly-known stuff -- are withdrawn on the ground there was no public knowledge of the claimed invention.

Then the rejections under 102(g), 102(g)/103 were withdrawn. Those are the code words, of course, for the

1 claims being patentable over an alleged earlier invention by
2 another, and he held there was no earlier invention by
3 another.

4 The the protesters' proposed rejection in
5 isolation under Section 103 over prior art has been refused,
6 and that, of course, was in part related to the objective
7 indicia of non-obviousness that I mentioned earlier, and then
8 finally said that claims of record have been found to avoid
9 the prior art.

10 That was his final allowance.
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1 Q Professor Kayton, what was the nature, the general
2 nature of this new evidence that was submitted by the various
3 parties in the reissue proceeding after the examiner made
4 that request for additional evidence?

5 A Well, I alluded to that earlier.

6 There were extensive takings of depositions
7 by both sides, I recollect, all over the United States;
8 declarations and/or affidavits submitted dealing with all
9 aspects of the subject of the alleged earlier activities
10 of others. It just went on and on.

11 Well, the Court is better aware of that than
12 I, because I recall there were many motions before the Court
13 to extend discovery, and so on, and continue the date of
14 the trial, all of which were granted by the Court.

15 And all that discovery ended up, to the best
16 of my recollection, or certainly most of it, in the Patent
17 Office proceedings.

18 Q Now, Professor Kayton, with the case transferred to the
19 Assistant Commissioner's office for a Rule 56 proceeding,
20 what did Rule 56 proceedings entail?

21 A Well, physically I might note that the Rule 56 proceed-
22 ings begin in the book with an index tab that says: "Rule
23 56," standing out.

24 But what those proceedings involved were ex-
25 tensive interchanges between the protesters and the

1 applicants and the Assistant Commissioner of Patents in
2 charge of Rule 56 proceedings.

3
4 In response to the protesters' several
5 requests for determinations of whether certain pieces of
6 prior art were material or not, the Assistant Commissioner
7 had interchanges with the primary examiner, Examiner Hum,
8 who had examined the substantive issues of patentability
9 earlier; and thus the Assistant Commissioner queried Exam-
10 iner Hum as to the materiality of various things.

11 So those interchanges are represented by the
12 official papers that begin at P as in Peter and continued
13 to V as in Victor.

14 However, quite importantly as part of those
15 proceedings were the Assistant Commissioner's requests for
16 information from the applicant's attorneys and, if my memory
17 serves me correctly, from the inventor, Frederiksen.

18 I don't recall whether Nutting was one for
19 whom a request for information was submitted.

20 Nonetheless, those requests for further in-
21 formation with respect to whether the attorneys and the
22 inventor knew certain things, were privy to certain infor-
23 mation, were part of this proceeding.

eeding.

1 Q Professor Kayton, had the defendants made charges of
2 fraud and misconduct against the plaintiff and its represen-
3 tatives prior to the Rule 56 proceeding?

4 A Oh, yes. They had made many, many charges of fraud, I
5 believe -- well, I don't remember where -- they were scatter-
6 ed throughout the earlier proceedings, and in any event the
7 fraud issue was set up.

8 The fraud Rule 56 proceeding, of course, could
9 not have been set up unless the protesters had earlier
10 charged fraud in the procurement of the original patent.
11 And they, also during the proceeding, charged fraud in the
12 procurement of this reissue as well.

13 Q Do you recall approximately how many separate charges
14 of fraud and misconduct were made by the defendants?

15 A Yes. My recollection is ten, ten separate charges.

16 There were nine that were clear, and then
17 very late in the fraud proceeding they introduced, the pro-
18 testers introduced a 10th one based upon the alleged im-
19 proper behavior late in the prosecution of the re-issue
20 application, which was entertained.

21 Q Did the defendants also ever move to strike the patent
22 application on the basis of fraud or misconduct, that is,
23 the re-issue application?

24 A Yes. They expressly moved to strike the re-issue
25 application based upon the last charge of fraud.

They alleged that the attorneys, which were Mr. Katz and Mr. Schnayer, had improperly prosecuted the patent -- the re-issue application, and had made statements that were misleading and incorrect and fraudulent, and they moved to strike it.

Q What ultimate decision did the Patent Office make with respect to these Rule 56 proceedings and the motion to strike in response to the various papers and materials submitted by the parties?

A Well, the ultimate decision was that there was no basis for those charges.

That decision refusing action on the fraud charges appears as index tab V, at Bates number 181; but, more specifically, the holdings, that final holding, appears at the end, at Bates number -- the green highlighting, at Bates number 192, the bottom of 192 and the top of 193, wherein the Assistant Commissioner held:

"There is no evidence of record that the primary examiner has been misled by any assertions by applicants, thereby causing clear error. Protesters have had their opportunity to submit papers herein. And on the next page:

"To the extent that any error existed in the prosecution, such was deemed to have been corrected in view of the decision dated March 18, 1981, where

1 the primary examiner subsequently reopened the
2 prosecution. This examiner has reviewed the
3 record and is of the opinion that there is no
4 evidence of clear error or abuse of discretion
5 so as to warrant the necessity of any oral hearing.

6 "Summary: No action pursuant to Rule 56 is
7 required."

8 And he then forwarded the application back
9 to the substantive examiner for further proceedings.
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1 Q Professor Kayton, you mentioned that there were internal
2 interchanges between the Commissioner's office and the patent
3 examiner in answer to your previous question. Could you
4 explain what those internal communications were?

5 A Yes. I alluded to the fact that the protesters during
6 the fraud proceeding requested the assistant commissioner to
7 gain reconsideration of various substantive issues that the
8 original examiner, Hum, had already made determinations on and
9 some that the protesters felt he had not made determinations
10 with respect to.

11 The assistant commissioner, responsive to the
12 protesters requests, submitted inquiries to examiner Hum and
13 he responded to those inquiries in writing. In fact, those
14 papers are listed after tab v as in Victor as appendices 1,
15 2, 3 and 4 to tab v. They are all collected there. They,
16 however, are collected there simply for completeness by the
17 commissioner in his final decision not to take action.

18 From a chronological point of view, they
19 appeared earlier and are made reference to in appropriate
20 locations under earlier tabs.

21 Q Now, Professor Kayton, during the hearing before this
22 Court on October 19th of last year, on defendants' motion for
23 leave to take additional depositions of the Patent Office
24 examiners, one of the defendants' attorneys at page 5 of the
25 transcript referred to the internal communications as secret

communications between examiners.

Were those internal communications actually provided to the parties during these Rule 56 proceedings?

A. Yes, they were. Every one of those communications was made available to the parties as part of an interlocutory paper, and I can't locate it at the moment.

Q. I refer you to tab U of Plaintiff's Exhibit 415.

A. Okay, let's see. Index tab U, there is, was an express place where he, the Commissioner, indicated that he was submitting those papers -- I can't find it at the moment.

Q. If I direct your attention to Bates 170 of tab U.

MR. GOLDENBERG: Mr. Katz, what page number is that?

MR. KATZ: Page 17.

MR. GOLDENBERG: Page 17, thank you.

BY THE WITNESS:

A. Yes, here are indications that, number one, the, even starting on page 169, that the commissioner made inquiry of the examiner with respect to materiality of this prior art. The materiality issue is an issue that bears on the question of fraud.

And then on page 170 there is set forth what the primary examiner's response was in summarized form. But then it says under that, under item H, "A copy of the response is attached hereto." So that is Examiner Hum's response.

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Hardly secret.

Then on April 12 it says at the bottom of 170 there was a telephone inquiry made of Examiner Hum as to the materiality of the art with respect to the original claims of the original patent.

And on page 171, the indication is what Examiner Hum responded to.

On page 172, there was a further request of Examiner Hum on the top of that page with respect to the very last raised question that I mentioned earlier, when the protesters requested striking of the application for allegedly improper prosecution of the reissue; the examiner was queried as to whether that was improper, whether that information was material, whether or not the examiner knew about the information all along.

And the examiner indicated that it was not material; he knew all about it the whole time, the protesters told him about, the applicants told him about it; and all of that is set forth as the examiner's reply.

Kayton - direct

17-2v1

reply 1

Q Now, Professor Kayton, I refer you to tab V in that same exhibit on Bates No. 193 which is page 13 of that paper.

A Yes.

Q And I see a list of attachments.

A Yes.

Q Are those the internal memos that you refer to?

A Those, those are those memos and they are attached as the appendices 1, 2, 3 and 4 that I made reference to, which follow immediately thereafter.

Q Now, after the commissioner's office returned the case to the jurisdiction of the patent examiner, Mr. Hum, Van Hum, the examiner who handled the case on the merits of the patentability, what action did the examiner take at that time in this case?

A Well, what he did then was to request of the applicant a clean copy of the computer program which was part of the application for purposes of printing. Now, that appears at tab N as in Nancy highlighted on the first page, Bates 140. It says: "The examiner requests that reissue applicants submit in clean or camera ready copy form the new appendix as indicated in MPEP 601.05, and have same entered into the record in accordance with 37 C.F.R. 1.121."

But then at tab O, Bates 142, he revoked that request and he indicated that this statement at the top, "This letter is in response to protesters' objections paper No. 149."

Kayton - direct

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Now, that is an error, your Honor. That should be official paper 148, and you can see that lower in the paragraph it says 148. But the highlighted material bears on this.

He said, "The Examiner has entered the software into the application file but has withdrawn the requirement to insert the software into the text of the written specification in order to avoid any further delays. And in view of the fact that the software is available to anyone who reviews the instant application in the same manner that such software appended to the file of Patent No. 4,093,293 was available to the public under the practice at that time."

Now, that patent number, your Honor, was the original patent of which the reissued patent in suit is a reissue and in which the program appeared.

1 Q Was the practice of merely maintaining the program list-
2 ing available in the file followed in the specific case here
3 for the re-issue patent in suit?

4 A Yes, it was.

5 Q Now, Professor Kayton, I would like to show you a copy
6 of Plaintiff's Exhibit 436, which was referred to and de-
7 scribed by Dr. Schoeffler and Mr. Frederiksen during their
8 testimony and which is the program listing, which is en-
9 titled "Programmed Logic Array Unit Sequence in Mnemonic
10 Code," and which was filed by the applicants during the re-
11 issue proceeding in the Patent Office. It is now a part of
12 Plaintiff's Exhibit 1, the re-issue file wrapper, in Volume
13 16 of the 20 volume compendia, Bates number page 1761
14 through 1770.

15 Now, Professor Kayton, are you familiar
16 with this document?

17 A Yes, I have seen it. I have seen it in the file wrapper
18 of the original patent. I have heard Dr. Schoeffler testify
19 about it, and I have heard Mr. Frederiksen testify about it.

20 Q Is that program listing part of the patent disclosure,
21 even though it is not printed as part of the patent?

22 A It definitely is.

23 MR. LYNCH: Objection, your Honor. I believe that
24 is a question of law. There has been no testimony about this
25 practice, what this alleged practice was or what the founda-

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1 tion is.

2 THE COURT: Well, let's find out about the practice.

3 MR. KATZ: That is what I am going to ask, your
4 Honor.

5 BY MR. KATZ:

6 Q Please explain the basis for your answer that the pro-
7 gram listing is part of the patent disclosure, even though
8 it is not printed in the patent.

9 A Yes, to begin with, at the time the original patent was
10 filed, which I believe was 1975 -- I can --

11 Q May of '75.

12 A May of '75, there were no published rules. There were
13 no published MPEP provisions for how to handle program list-
14 ings that were part of the application.

15 Various examiners handled it differently. Some
16 of the examiners and, therefore, the Commissioner expressly
17 when a patent application issued printed the listing, and
18 sometimes they did not, and the determination was made indi-
19 vidually by the examiners at that time.

20 It was not until 1981 that there was a rule or
21 practice set forth. It was not until 1977 that the Com-
22 missioner ever suggested that there was going to be such a
23 rule or practice. That suggestion appeared on July 5, 1977
24 in the Official Gazette of the United States Patent Office,
25 960 O.G.2, setting forth as its title, "Deposit of Computer

1 Program Listings, 37 CFR Part 1, Notice of Proposed Rule
2 Making."

3 Now, one thing was clear, however, and that
4 is, as submitted in the original patent application, which I
5 have here, Plaintiff's Exhibit 2, the program listing was
6 submitted as part of the patent application and part of
7 the specification. This can be seen quite readily by looking
8 at Plaintiff's Exhibit 2, Bates number 3 thereof.

9 Q Plaintiff's Exhibit 2 is the certified file history of
10 the original Nutting and Frederiksen patent, is that correct?

11 A That is correct. Now, Bates number 3 you can see is a
12 cover letter by the applicants' attorney at that time, sub-
13 mitting the patent application. Toward the upper right-
14 hand corner you see the date May 12, 1975, and immediately
15 above that it says, "Case Docket Number C 3987-1."

16 Now, that, your Honor, is a standard in-house
17 attorney's docket number that is put on patent applications
18 to identify the application until the Patent Office issues
19 a serial number.

20 Then the cover letter is addressed to the
21 Commissioner of Patents, and it points out, "Transmitted
22 herewith for filing is the patent application of," Frederik-
23 sen and Nutting, and it says, "Enclosed are three sheets of
24 drawings," and then it goes on to say below, "A logic sequence
25 to be made part of the file," and an appropriate indication

1 of a fee set forth, and then immediately thereafter on the
2 next page you have the beginning of the specification in
3 the form of the program listing. The legend across the top
4 is "In the United States Patent Office, Application of" --
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Kayton - direct

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1 MR. LYNCH: objection, your Honor. This was com-
2 piled by defendants. This is no reflection of what existed
3 in the Patent Office at the time.

4 This was compiled by plaintiffs. The sequence
5 of this is no reflection of what existed in the Patent Office.

6 THE COURT: What about that?

7 MR. KATZ: Your Honor, I believe we do have -- no.
8 We have a certified copy from the Patent Office, and I be-
9 lieve Mr. Schnayer obtained it from the Patent Office.

10 THE COURT: What is Exhibit 2? Is it a copy of the
11 file?

12 MR. KATZ: It's a copy of the original file --

13 THE WITNESS: I'm not suggesting the order. I'm
14 saying it appears immediately thereafter.

15 MR. LYNCH: That's the only objection, your Honor,
16 it didn't appear that way in the file. The file was all
17 loose.

18 THE COURT: I understood the witness to be saying
19 that that's the way it appeared in the file itself in the
20 Patent Office.

21 THE WITNESS: Oh, that may be, but I don't know if
22 it is, your Honor.

23 The cover letter relates the material, and
24 what I'm suggesting is that the heading on that page is pre-
25 cisely the heading that appears at the beginning of a specifi-

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2616

cation.

And you will see that the material continues on, the text continues on thereafter on Bates page 14, dealing with the abstract of the disclosure and then further verbal text.

BY MR. KATZ:

Q Now, on each of those pages, Professor Kayton, is there a continuing statement of the attorney's docket number?

A I don't know which pages you're making reference to.

Q Bates No. 4.

A Oh, yes. Right throughout that listing the attorney docket number is right up at the top.

Q That's the same docket number that appears on the cover letter, transmittal letter of Bates 3?

A That is correct. That is the case.

Q And the other headings that you're talking about are the statements at the top of each page that says, "David J. Nutting, et al., player operated game apparatus"? Is that correct?

A That is correct.

Now, what is in a United States Patent, to the extent the applicants have anything to do about it, is controlled by the application the applicants submit. Their obligation is to submit a patent application.

Now, that was done in this case.

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1 Whether or not the commissioner elects to
2 print all of it is up to the commissioner. Indeed, statute
3 section 11 of 35 U.S.C. deals with what the commissioner may
4 print in various ways.

5 Most of the time the commissioner prints
6 everything. With respect to computer programs, however, very
7 early on he did not print the program listing. And there were
8 many reasons for that.

9 But we have a significant indication that the
10 examiner, who was Examiner Hum also, the same examiner as for
11 the reissue, viewed, conclusively viewed that program listing
12 as part of the specification.

13 In PX-2, if you were to turn to Bates No. 98,
14 you have an office action of Examiner Hum in which he rejected
15 all of the claims.

16 But the thing of importance and interest to
17 us appears at Bates 101, and it's highlighted -- well, it's
18 not highlighted in yours, your Honor -- but if you look at the
19 first sentence at the top of the second paragraph, the exami-
20 ner said:

21 "The disclosure is objected to under Section
22 112, first paragraph, for being insufficient."

23 And then four lines below he said:

24 "For example, a detailed flow chart indicating
25 system operation and/or the software for program-

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ming said microprocessor has not been set forth.
These showings are necessary to provide those
attempting to make and use the instant invention,
the program sequencing, and option controls for
effecting a viable computer based game."

So he said at this point: Something
seriously wrong. No program.

But he had made a mistake.

And this was clarified fully, were you to
look at Bates 123 and 124.

Now, this is the applicant's response. It starts at Bates 105, but that's of no interest to us, and 106. It's an amendment.

But when you go to Bates 123 and 124, at the bottom, the last paragraph at the bottom, Mr. Katz said:

"After the office action of June 17, 1977 was received, the undersigned attorney promptly conducted a telephone interview with Examiner Hum in which it was pointed out that the program had in fact been filed with the application, as noted in the transmittal cover letter dated May 12, 1975, from applicant's attorneys" -- and they named them.

That, your Honor, is the cover letter that I referred to at Bates 2.

"Thus, since the whole software listing was filed with the original application and specifically stated to be a part of the file, it was submitted that the insufficient disclosure rejection was improper and should be withdrawn.

"The examiner took this matter under advisement and called the undersigned attorney thereafter to state that he accepted the applicant's position that the Section 112 insufficient disclosure rejection would be withdrawn. He indicated that there apparently had been some confu-

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1 sion due to the manner in which the papers had
2 been placed in the official file or from some other
3 clerical errors, but that in any event the problem
4 was now resolved."

5 Now, after that there were some further pro-
6 ceedings, but the patent was issued based upon that.

7 Now, the examiner could not have issued that
8 patent -- he was saying there was an inadequate disclosure--
9 absent the program listing.

10 When told that there was a program listing,
11 he found there was adequate disclosure, the patent issued.

12 Now, that means without any question that he
13 considered it to be part of the application, or he could not
14 under any circumstances have allowed it.

15 It was at this time-- now I've forgotten at
16 the moment when it issued, but I have it all here -- it is-
17 sued June '78, you may recall there were no rules for print-
18 ing or not printing program listings at that time.

19 The first rule proposal came in July of '77,
20 and the proposals changed many times.

21 At that time the question of whether or not to
22 print a program depended on many ministerial things, not the
23 least of which was whether the printers of the Patent Office
24 were set up to handle it.

25 Now, the program listing that is involved in

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1 this case, in this exhibit, is only one of many different
2 forms of program listings.

3 Some program listings were extraordinarily
4 difficult to print. To begin with, the printer was not
5 used to handling these peculiar representations, and often,
6 in different kinds of higher and lower order programs, the
7 nomenclature was strange.

8 And for that reason examiners would make de-
9 terminations as to whether or not to print it.

10 At that time it was rare to make a photocopy
11 of the program listing. Usually everything that went into
12 the printed part of the patent was typeset by a printer. And
13 this was a situation that was sui generis..

14 In this instance, this examiner determined
15 that it not be printed. In other instances he did print it.
16 But the 960 O.G. 2 sets forth the serious problems that they had
17 and even then, and to this day, program listings need not be
18 printed in the patent to be part of the patent, as express-
19 ly stated by the Manual of Patent Examining Procedure and
20 Rule 96.

21 You may submit microfiche. And it's not part
22 of the patent, but it's in the file in exactly the same way
23 that this program was and is in the file now.
24
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Q Under the current practice in the submission of large programs in microfiche form, which are not actually printed as part of the patent, are you familiar with any suggestion that that, such microfiche programs are not actually part of the patent disclosure?

A They are part of the patent disclosure, is the fact. The microfiche are, when necessary for Section 112, are expressly stated to be part of the patent disclosure. And so to this very day we have printed patents which require the program listing to support the claims which have no printed program in the issued patent document.

And this, of course, although peculiar because of its nature with programs, your Honor, this happened historically as far back as 1841 where there were drawings in patent disclosures submitted to the Patent Office which were not printed and the question was, was it part of the patent.

And the, at that time, the Courts, right up to the Supreme Court, expressly stated that what controls is the practice in the Patent Office. And that is the Emerson v. Hogg case that Mr. Katz mentioned before.

More recently, in General Electric versus Brenner, which happens to be a case that Mr. Goldenberg argued and won before the U. S. Court of Appeals for the District of Columbia, the Court said if a patent application

1 is submitted properly to the Patent Office and meets the
2 requirements of Section 112, then it meets the requirements
3 of Section 154, which deals with the printing and appending
4 of the patents to the official seal.

5 Q Referring, Professor Kayton, to the amendment that was
6 filed with my remarks at Bates 124, relating to the inter-
7 view, the telephone interview with the examiner in this
8 original patent prosecution, if any of those statements that
9 are reported in the papers filed in the Patent Office were in
10 any way in error, what action would the examiner have had to
11 have taken in accordance with the established practices at
12 the Patent Office?

13 A Well, those statements were in large part based upon a
14 telephone and other interview and now and then if there was
15 any error in reporting what took place, the examiner was
16 charged with filing a paper correcting that error.

17 Q Was any such paper filed by the examiner in this pro-
18 ceeding having to do with the original prosecution of the
19 patent?

20 A No such paper was filed.

21 Q Now, was any paper issued or promulgated by the Patent
22 Office in the reissue proceedings that would further confirm
23 the conclusion which you stated that the program listing
24 is part of the patent disclosure?

25 A Yes, very definitely, but, Mr. Katz, I would like to

1 move some exhibits out of the way or I am going to knock
2 these off, if you will bear with me one moment, your Honor.

3 (Brief pause)

4 BY THE WITNESS:

5 A Turning once again to the pink coded Plaintiff's Ex-
6 hibit 415, which are the examiner's office actions, substan-
7 tive office actions in the reissue proceedings, at index
8 tab O, at Bates 142, we have -- no, I am looking at-- yes,
9 I do have the right thing. Bates 142, the color-coded
10 material, says, "The Examiner has entered the software into
11 the application file."

12 We looked at this in another context earlier,
13 your Honor.

14 "But has withdrawn the requirement to insert
15 the software into the text of the written specifi-
16 cation in order to avoid any further delays. And
17 in view of the fact that the software is available
18 to anyone who reviews the instant application in
19 the same manner that such software appended to the
20 file of patent number 4093232 was available to the
21 public under the practice at that time."

22 Now, it is, of course, significant that this
23 is a reissue patent. And, therefore, its effective filing
24 day is the same effective filing day as the original patent's
25 effective filing day, and its termination day is the same day

1 as the original patent's termination day.

2 And therefore, in this proceeding as well,
3 the examiner was saying that was the practice, it doesn't
4 have to be part of the printing; but all the while, he said
5 it was necessary to have it in order for the claims to be
6 supported and for the disclosure to be enabled, as required.

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Q Are you familiar with those practices referred to by the examiner that were in existence at that time with respect to program listings submitted in the patent applications in the Patent Office? And if so, would you state how you are familiar, particularly, with those practices and what, if anything, you have in your background to qualify you as having special knowledge of those practices?

A Yes.

Well, to begin with, I started my professional career as a designer of logic circuits for digital computers. As a patent attorney at Bell Labs, General Precision and General Electric, my work continued in many technologies, but particularly included digital systems and digital computers.

My doctoral dissertation was in the use of digital computers for retrieving case law.

I have lectured and written on the subject of proprietary rights and computer programs since at least 1960, I would imagine.

I have been over the years and in particular in the '60s and '70s in contact with examiners, some of whom are now members of the U. S. Patent Office Board of Appeals, who are computer experts and have discussed these issues continually.

I have consulted with attorneys who are prosecuting patent applications on this subject.

1 And so I was fully conversant with all of
2 these issues going on at that time, both the patentability
3 of computer programs, what is needed to support claims in
4 terms of software and program listings, and the very issue
5 of whether they should be printed.

6 There were extensive meetings when 9600G2
7 was first promulgated, and at one American Patent Law Asso-
8 ciation meeting, the issue was raised by the Patent Office
9 about the proposed changes. These things were discussed
10 extensively in the Bar, and I was really right in the middle
11 of them. The Patent Office had expended tremendous amounts
12 of money printing programs, not just long ones, but ones
13 that had peculiar program legends.

14 Earlier in these proceedings the Court raised
15 the question about are these English. Well, the program here
16 is the most English kind of program you are ever going to
17 find, because it is a high-level program. But there are
18 other programs -- why do I say "high level"? It means when
19 you put that program in the machine, things in the machine
20 convert that simple-minded language into the more detailed,
21 complex 1's and 0's, high-voltages and low-voltage sequences
22 that the machine can operate on.

23 Years gone by, the program listings that were
24 filed sometimes were just logic sequences 10, 10, 101; and
25 the problems in properly typesetting those were tremendous.

1 In other programs, it looked more like math-
2 ematics. It had to have, like in Fortran, parentheses and
3 letters and words and the punctuation had to be exactly
4 right. It was this kind of problem that the Patent Office
5 was faced with and it was these kinds of problems that re-
6 sulted in examiners sometimes printing the program and some-
7 times not, and ultimately a uniform standard came into
8 being in 1981.

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Kayton - direct

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1 Q Professor Kayton, are you familiar with any patents in
2 the chemical area that might have similar problems, where the
3 patent specification would be written in chemical language
4 that wouldn't necessarily be understandable to someone not
5 familiar with that subject?

6 A Well, of course. The point is chemical formula and so
7 forth and structure, sometimes it is a diagram, shows a benzene
8 ring or something like that without even letters. That is
9 all part of the disclosure.

10 I might point out that some of these programs
11 are universal. For example, this very microprocessor program
12 probably in Japan is treated with these legends that we are
13 using, and probably their instruction booklet is in Japanese,
14 but the codes for the program probably are exactly as filed
15 here. In a way it is almost a universal language, the way
16 mathematics is; but the point is does a person of ordinary
17 skill in the art understand it or not, and that is the issue.

18 Q Professor Kayton, irrespective of what the practices of
19 the Patent Office or specific examiners were with respect to
20 determining whether a program listing would or would not be
21 printed, I ask you was there anything else that the applicants
22 needed to do to make sure that the program listing was part
23 of the application, the specification, and then the patent
24 that issued as the original parent patent and as the reissue
25 patent?

1 A. Absolutely nothing. They had totally fulfilled their
2 obligation under Sections 111 and 112 of the statute. They
3 had filed a complete application.

4 Q Now, Professor Kayton --

5 THE COURT: Mr. Katz, why don't we recess now until
6 2:00 o'clock.

7 MR. KATZ: Thank you.

8 (Whereupon a recess was taken herein until 2:00 p.m.
9 of the same day.)
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Kayton - direct

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IRVING KAYTON, PLAINTIFF'S WITNESS, PREVIOUSLY AFFIRMED
DIRECT EXAMINATION (Continued)

BY MR. KATZ:

Q Now, Professor Kayton, let us assume hypothetically that it is determined in these proceedings that the program listing must be made part of the printed patent in order for the claims to be treated as valid under Section 112 of the statute. Make that assumption for the sake of argument, that that transpires.

Would there be or would there not be any accepted standard procedure that the patentees could take to make sure that it is printed in the patent and it is effective as of the original issue date?

A Yes, there is, and it's a very simple procedure.

Q And what is that procedure?

A The patentees could file for a certificate of correction.

Since the patentees had done everything they could do and needed to do in filing their application, assuming that it was necessary to print the program listing, the commissioner's failure to print the program listing, the commissioner's, and that certificate of correction would come about automatically without even the patentee's filing a fee -- paying a fee.

Let us assume, however, that there were a determination that during the prosecution of the original or

3 Kayton - direct

1 the reissue the applicants should have jumped up and down and
2 filed papers and said, "print this, print this," and didn't do
3 it. Then it would be the applicant's error, and they would
4 have to pay a fee of \$40 for the certificate of correction.

5 Certificate of correction simply adds what
6 was left out or corrects any mistake. Since substantively
7 there were no mistakes, it would be a ministerial function
8 correcting it.

9 I hasten to add that I accept the hypothetical,
10 of course, as you have said it, but I really can't accept the
11 premise because the program listing is part of the patent.

12 Q Are certificates of correction typically used to correct
13 printing errors in patents?

14 A Constantly.

15 Q Professor Kayton, did the defendants here raise this
16 same issue with respect to the program during the reissue
17 proceedings, that is, that the program listing was not made
18 part of the original patent?

19 A Yes, they did.

id.

1 Q And on what occasions during the re-issue proceeding
2 did they raise this?

3 A Well, they raised it more than once, but the one that I
4 have immediately to hand appears in their paper, Plaintiff's
5 Exhibit 414, the double black bar exhibit, at tab 36, Bates
6 452.

7 Under that tab --

8 THE COURT: What was the tab?

9 THE WITNESS: Tab 36, and it's the first page, 452
10 under that tab.

11 BY MR. KATZ:

12 Q And that's in PX414. Is that right?

13 A That's in PX414, yes.

14 Did I mis-speak on that? I'm sorry. PX414,
15 with the double black bar.

16 Now, two matters were raised by the protester,
17 and the highlighted material down at the bottom says:
18 "The second is that any attempt to file such

19 a listing at this time would be in absolute viola-
20 tion of the provisions of the statute, 35 USC 251."
21 Which, at the end of Paragraph 1, reads as
22 follows:

23 "No new matter shall be introduced into the
24 application for reissue. The examiner consequently
25 cannot require new matter to be introduced into the

1 application for reissue," and continuing on, al-
2 though it's not highlighted, on the next page, I think it's
3 pertinent to read that:

4 "Nor can it be submitted voluntarily by the
5 reissue applicants and accepted by the PTO. These
6 facts are not altered in the slightest by asserting,
7 as do the reissue applicants, that a copy of the
8 program listing was filed with the original appli-
9 cation. It was not a part of the application to
10 reissue the patent, and therefore is new matter in-
11 sofar as this application is concerned."

12 And that's when they raised it.

13 That is, of course, in my view, totally and
14 completely incorrect.

15 And that was the paper that the examiner's
16 next action responded to, which we have already seen, Ex-
17 hibit 415, the pink volume, at tab 0,142, in which he said
18 he rejects that proposition and says, to the contrary, it's
19 proper. And he says,

20 "The fact that the

21 "The fact that the

22 "The fact that the

23 "The fact that the

24 "The fact that the

25 "The fact that the

Kayton - direct

Q Professor Kayton, are you aware of any authority, precedent or any case or any practice that would indicate contrary to your view that the program listing filed by the applicants with the filing of the application on May 13th, 1975 and then resubmitted again at the request of the examiner during the reissue proceedings but not printed, was anything but part of the patent as granted?

A I know of no such authority, no such anything; nor did I ever hear of such a proposition until I first read it submitted by Messrs. Goldenberg and Lynch during the reissue proceedings and advanced in this courtroom.

Q Returning now to the reissue proceedings, what did the examiner then do in connection with this case after withdrawing the program printing requirement?

A He forwarded the reissue application to issue as Reissue Patent No. 31441, and it did indeed issue on November 15, 1983.

Q Professor Kayton, are you aware of the request that this Court had made several times during the course of the pretrial activity that it wanted a view of the Patent Office's examiner with respect to the technical prior art being relied on by the defendants here?

A Yes.

Q Did the examiner indeed express his view with respect to the technical references that were submitted to the Patent

Kayton - direct

1 Office by both the plaintiff and the defendants here?

2 A Yes, he did, over extended period of time.

3 Q Did the examiner express his view in the papers with
4 respect to every single reference that was submitted?

5 A He did with respect to virtually all of them, but with
6 respect to a few items, he indicated that they were rela-
7 tively inconsequential and did not treat them specifically.

8 None of those, however, are references that the defendants
9 have cited in their section 282 prior art notice.

10 Q Now, in the reissue proceeding then, what did the
11 examiner find with respect to whether the defendants had
12 met their burden of persuasion as to all of the references
13 that were submitted to the Patent Office?

14 A I'm sorry, my mind drifted, Mr. Katz, would you repeat
15 the question?

16 Q What did the examiner find with respect to whether the
17 defendants had met their burden of persuasion as to all of
18 the references that were submitted to the Patent Office?

19 A The examiner found that the defendants, the protesters,
20 had failed to meet the burden of persuasion with respect to
21 that art and found the claims patentable thereover.

22 Q How was that burden that the defendants failed to meet
23 and that the Patent Office failed to meet during the reissue
24 proceedings different at all from the burden faced by the
25 defendants in this Court?

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1 Kayton - direct

2 MR. GOLDENBERG: Excuse me, your Honor. Can I
3 have a standing objection to these questions?

4 THE COURT: I think this really does get into a
5 question of law here, and I think it is the function of
6 counsel rather than a witness to educate me on that, if I need
7 education.

8 MR. KATZ: With respect to the burden in the Patent
9 Office?

10 THE COURT: Yes. Well, as compared to the burden
11 here.

12 MR. KATZ: Let me rephrase the question, your
13 Honor.

14 BY MR. KATZ:

15 Q What was the burden that the defendants would have had
16 to meet or that the Patent Office failed to meet during the
17 reissue proceedings?

18 MR. GOLDENBERG: I'm sorry, may I have the question
19 again?

20 Q (Read by the reporter.)

21 MR. KATZ: In the Patent Office.

22 MR. GOLDENBERG: My objection goes to that, too.

23 THE COURT: That's a little bit different. That's
24 the burden of the Patent Office. In principle, I think it's
25 all right. I will let him answer.

BY THE WITNESS:

Kayton - direct

A. There are in fact two different standards in the Patent Office as a function of what the prior art is.

With respect to the prior art that was in the form of patents in printed publications and such, all the examiner had an obligation to do was to show that the claims were unpatentable thereover by a preponderance of the evidence. The examiner being an expert in the field.

With respect to other kinds of alleged disabling activities such as alleged acts of invention by third parties, typically a category of evidence that has historically been unreliable, the burden was on the protesters and the Patent Office to establish unpatentability by clear and convincing evidence.

T3

1 BY MR. KATZ:

2 Q What is the basis or reason for that difference in stan-
3 dards under Patent Office practice?

4 A When you have a patent or a printed publication, assum-
5 ing its authenticity, it discloses what it discloses clearly
6 and, therefore, the examiner, with his technical expertise,
7 presumably can make some determination, and based upon his
8 expertise, that determination carries the day for unpatent-
9 ability by a preponderance of the evidence.

10 Where, however, you are dealing with things
11 that are not clear, where you are dealing with testimony by
12 third parties or sometimes by the defendant protester or
13 parties related to the defendant protester, historically
14 that kind of evidence has not been as trustworthy, and what is
15 adduced as having taken place cannot be as trustworthy as what
16 is within the four corners of the printed publication or an
17 issued patent. Therefore, historically the standard has been
18 to establish that kind of prior art to show unpatentability
19 with a heavier burden, namely, the burden of clear and con-
20 vincing evidence.

21 The most recent enunciation of that, of
22 course, was from the U. S. Court of Customs and Patent Appeals
23 in *In Re Reuter*, where that was expressly what the Court said
24 in exactly that kind of situation with a protested applica-
25 tion.

1 Q How does that standard relate, if it relates at all, to
2 the purpose of examination by the experts in the Patent
3 Office?

4 A Well, the overall standards that I have just enunciated
5 make complete common sense. As I have indicated before,
6 where the document is clear, the expertise of the examiner
7 is enough to carry the day; where that evidence is not clear,
8 it has to be clear and convincing.

9 In short, there is reliance with respect to
10 the presumption of validity, therefore, on the expertise of
11 the examiner.

12 Q Based on the evidence in this case of which you are
13 directly aware, what was the background and expertise of
14 Examiner Vance Hum, who examined both the original and the
15 reissue applications?

16 MR. GOLDENBERG: Objection, your Honor.

17 THE COURT: Overruled.

18 MR. GOLDENBERG: There is absolutely nothing in
19 this record on that subject.

20 MR. KATZ: Yes, there is.

21 THE COURT: Well, where is it?

22 MR. KATZ: It is in the depositions of Examiner

23 Hum, whose deposition was taken twice by the defendants in
24 this case with respect to his background.

25 MR. GOLDENBERG: It is not in the record of this

1 case.

2 MR. KATZ: It is being put in by designation of
3 depositions, but even if it weren't, an expert witness under
4 Federal Rule 702, I believe, can rely -- 702 or 703 -- can
5 rely on matters outside of the record for his testimony.

6 THE COURT: Well, if you offer --

7 MR. KATZ: But we are going to put this in--

8 THE COURT: If you offer the deposition, I will re-
9 ceive it, and I will overrule the objection.

10 THE WITNESS: I apologize, Mr. Katz. I lost the
11 question.

12 BY MR. KATZ:

13 Q Based on the evidence in this case of which you are
14 aware, what was the background and expertise of Examiner
15 Hum, who examined both the original and reissue applications?

16 A Yes. Examiner Hum had a Bachelor degree in electrical
17 engineering from the University of Maryland and worked for
18 almost two years, from '71 to 1973, at the Goddard Space
19 Center in Greenville, Maryland, for the Bendix Corporation,
20 working on digital telemetering systems.

21 He became an examiner thereafter, working in
22 this technology. As an undergraduate, his testimony was that
23 he had taken every course in digital computers and related
24 subjects of which he was aware. He had taken a graduate
25 course in digital computers. He was relied on as a consult-

1 ant in his examining group in that field.
2
3 He was an examiner in that technology up until
4 the time that he left the Patent Office, about six months or
5 a year ago, maybe less. During that time, some twelve years,
6 the last five or six years he was a primary examiner.

7 Now, your Honor, a primary examiner is the
8 highest level of substantive categories in the examining
9 corps. It means that he can make all of the decisions in
10 the prosecution of a patent application that is not contested,
11 not interparties, totally on his own. He is at the ultimate
12 level, and he was at that level for five years.

13 Moreover, he was in this technology from at
14 least 1975, when he was an assistant examiner prosecuting
15 the original patent application.

16 When he left the Patent Office, he became a
17 vice-president for Medic Electronics Corporation, where I
18 understand he now is, according to his deposition.

19 So he was by every standard I know an expert
20 in this field, and in terms of what you typically consider
21 the expertise of the Patent Office, I would say he far ex-
22 ceeded the norm.

23 This is based on his paper credentials. I do
24 not know him.
25

Kayton - direct

1 Q Professor Kayton, what do you mean by "in this field"?

2 A Well, what I mean is, is in the game field that these
3 patents deal with, the electronic, electromechanical game
4 field.

5 Q Professor Kayton, in your opinion does that background
6 conform with the standard of expertise generally presumed for
7 examiners in a technical field?

8 A Well, as I indicated, it at least conforms. It's
9 probably higher.

10 Q You indicated previously that the examiner found ulti-
11 mately favorably for the plaintiff, and that at a prior stage
12 of the proceeding he also indicated claims were allowable.

13 On what basis did the examiner change his po-
14 sition when he acted favorably to the plaintiff in allowing
15 the claims?

16 A I didn't follow that exactly. Would you say that again.

17 Q You indicated previously that the examiner found ulti-
18 mately favorably for the plaintiffs.

19 A Yes.

20 Q And that at a prior stage of the proceeding he also had
21 indicated claims were allowable.

22 A Oh, yes.

23 Q On what basis did the examiner change his position when
24 he acted favorably to the plaintiff in allowing claims?

25 A Well, when he changed his position it was responsive

2 Kayton - direct

1 to the protesters' petition to the commission.
2 He originally allowed the claims on the basis
3 that the narrowed amended claims called for a game that was
4 a unitary structure, unlike the prior art activities of El
5 Toro that we've heard about earlier by the Atari Cyan people,
6 wherein the El Toro game was not a unitary structure.

7 The microprocessor or microcomputer was
8 external to the machine, like the Intellec 4, that blue box
9 that was here earlier in the trial.

10 And then there was a long cable to the elec-
11 tronics and a cable from the electronics to the playfield of
12 the pinball machine.

13 It had been his position that putting the
14 whole thing together into one box generated serious problems
15 which couldn't be met by the people trying to solve the prob-
16 lem at the time, and claims requiring the unitary structure
17 therefor would be unobvious over what went at that time.
18 And so he allowed those claims.

19 Then the protesters petitioned for the reasons
20 that I indicated, it was reopened because a piece of art had
21 not been considered, and at that time the plaintiff applicants
22 reinstituted the broad claims.

23 Q And was there a substantial amount of evidence intro-
24 duced at that point, new evidence?

25 A After the proceeding began again there were virtually

Kayton - direct

tons of evidence introduced: deposition testimony, declarations, exhibits, activities were going, if I recollect correctly, all over the United States in terms of collecting that data.

Q Now I would like to turn to the expression of the examiner's view with respect to the various prior art references that are still being relied on by the defendants here and that were also in the Patent Office.

Professor Kayton, are you familiar with the notice filed by the defendants in this case under Section 282 of the patent laws, and as limited by the Court order of December 12, '83, specifying the prior art references on which the defendants rely in this case?

A Yes, I am.

Q Are you familiar with the fact that it has three sections?

A Yes.

es.

1 Q What is your understanding of the references listed in
2 each of the three sections?

3 And before you go into it, it might be helpful
4 to point out where in the material. I believe there's a
5 copy of the 282 --

6 A Now, your Honor, I'm in a second set of materials that I
7 have prepared derived from those 20 volumes, and I would like
8 to introduce you to one of them.

9 We know-- I'm not going, for a while, to be
10 using the pink, blue or black barred exhibits, but rather, to
11 begin with, a volume that's Plaintiff's Exhibit 416-1.

12 Now, 416-1 is identical to Plaintiff's Ex-
13 hibit 416 without the dash one that Dr. Schoeffler had been
14 using.

15 Now, the only difference between 416-1 and
16 416, your Honor, is that I have introduced highlighting into
17 416-1. Otherwise they're identical.

18 The reason that we have this extra book is,
19 I didn't finish highlighting it until, I guess, last night,
20 finally.

21 Now, if you open that exhibit, you will see
22 the first tab says "Section 1," and it has there on Bates
23 2 and 3 a list of the prior art references that came under
24 category Roman Numeral I of the Section 282 notice.

25 The Section 282 notice, your Honor, follows

1 immediately thereafter, Bates Number 4, et seq.

2 Now, on Bates Number 2, that first page,
3 there are listed 9 -- well, incorrect -- there are listed as
4 items 1 through 9, with items 1-A, 1-B, 2-A, 2-B, et cetera,
5 the references that the Court asked the defendants to list
6 in descending order of relevance.

7 On the second page you have that reference
8 number 10 and then three more which are designated A, B and C,
9 which are not really, if I recall correctly, supposed to be
10 considered-- well, I don't remember what they're supposed to
11 be considered.

12 Interestingly, what we've done is to list in
13 the right-hand column, tabular form, where those references
14 appear. And the legend at the bottom explains it.

15 An A means it was cited in the first 282
16 notice; F in the fraud proceedings; P in the original patent;
17 R in the reissue proceeding; RE in the reissue patent; and
18 Z, cited in the most current -- not the most current -- but
19 the 282 notice that appears in this book.

20 Thus, you can see that items 2-A and 2-B
21 appear nowhere other than in the 282 notice of December 19.

22 Item number 8 are only 282 notice items, and
23 therefore were not treated anywhere. The same thing with
24 item number 9. The A, B and C on the following page were
25 also new things introduced.

Kayton - direct

1 Now, corresponding to those reference numbers
2 1-A, 1-B and so on, you will see pink and blue-colored tabs
3 that say 1-A-pink, 1-A-blue, et cetera. There are, of course,
4 information, data at those points therefore relating to those
5 specific references about which I assume I am going to be
6 asked some questions.

7 Now, I might add, your Honor, that in this
8 Section 282 notice, there is a Roman numeral III category
9 of alleged prior activities which is not in that volume that
10 you have. Exhibit 416-1 comes in three volumes. The one
11 you have is Volume 1. There is a third volume which has a
12 similar representation with respect to the category Roman
13 numeral III, prior activities, listed in the Section 282
14 notice, the El Toro activities, the Delta Queen activities,
15 and so on.

16 Q Professor Kayton, I'd like to direct your attention to
17 Volume I, Bates 11 and 12. Is that the Roman Numeral III
18 activities that you are referring to which are expanded upon
19 in the other volume, Volume III?

20 A Yes. 11 and 12 are the prior activities of the Section
21 282 notice that are treated in the other volumes. However,
22 there is at least one here that is not treated in the other
23 volume because it was never before the Patent Office. The
24 Prologue activities and so on that are listed there. The

25 But to the extent those 282 notices were

1 treated in the Patent Office, and virtually all of them were,
2 not literally, but virtually all of them were, they are in
3 that volume.

4 Q Professor Kayton, now going back to Roman Numeral I, on
5 Bates page number 2, the first item indicated as being gener-
6 ally the most relevant in view of the defendants is the
7 item under 1-A, the Intel MCS4 Microprocessor Computer Set
8 User's Manual, dated February, 1973, and the defendants
9 indicate there that they rely on all of the pages of the
10 manual.

11 Professor Kayton, are you familiar with that
12 manual?

13 MR. GOLDENBERG: Objection as to form, your Honor.
14 It is a mischaracterization of the order of the listing in
15 the 282 notice, and I don't-- I think this was not intended
16 to indicate any particular preference or favor on the part of
17 the defendant.

18 MR. KATZ: Your Honor, I believe that in the--
19 THE COURT: No, I think I indicated you ought to
20 list them --

21 MR. KATZ: In the approximate order relevant.
22 THE COURT: -- in the approximate order, and I
23 wasn't going to be bound to it absolutely. Generally I
24 would think that Number 1 would be more important than
25 Number 9, according to my understanding.

Kayton - direct

MR. KAYTON: MR. GOLDENBERG: As I say, my objection just goes to the form.

THE COURT: Well, I understand the intent of this thing. Go ahead.

... and the ... of ...
... of those ...
... and 3, ...
... and there has been ...
... in the ...
... proceedings, ...
... to the ...
... respect to his examination?

In fact, he referred only to ...
... on your trial, your Honor. I ...
... able to tell you ...
... to the 14 and 15.

If you ... to ...
... every ...
... with this reference, ...

The ... of ...
... it was a ...
... Officer's ...

The ... of ...
... in which ...

Kayton - direct

head 1 BY MR. KATZ:

2 Q Professor Kayton, are you familiar with that manual?

3 A Yes, I have seen it. It physically appears at the back
4 of this volume, because between the part that says section 3
5 at the back and the beginning part of volume 3 of this exhibit,
6 we have all of those prior art references that are listed on
7 Bates pages 2 and 3. I have not studied it, but I certainly
8 have seen it and there has been testimony about it. And there
9 was extensive deliberation in the Patent Office concerning it.

10 Q In the reissue proceeding, did the examiner rely on or
11 refer to the entire manual or to merely portions of the manual
12 with respect to his examination?

13 A In fact, he referred only to portions of it, but before
14 I go on with this, your Honor, I would like to point out to
15 you how I am able to tell you this and the organization once
16 you get to tab 1A and 1B.

17 If you turn to pink 1A, you have two pages
18 that lists every paper in the five-year reissue proceedings
19 that deals with this reference, the Intel MCS 4 manual, in any
20 way.

21 The left-hand column indicates, for a P, that
22 it was a protester's paper, an E, it is the examiner's or the
23 Patent Office's paper; and an A, the applicant's paper.

24 The second column lists the official paper
25 number in which reference to that manual was made.

2 Kayton - direct

1 When you get to the third column that says
2 section number, your Honor, those section numbers also include
3 letters, as you may see. And those numbers and letters are
4 the index tabs on the pink, blue references that I told you
5 about, and, therefore, should anyone want to go directly to
6 that paper with that section number which is the tab number,
7 you may simply pick up the exhibit and find the whole paper.
8 And I say "the whole paper," because here you will see there
9 are excerpts of that paper.

10 And then the last column lists those pages
11 wherein the MCS 4 manual is referenced and the context pages
12 as well.

13 When you go to the blue 1A, you will see that
14 all you have at the blue tab 1A is the examiner's papers, and
15 they are pulled out separately.

16 Now, the reason I have just the examiner's
17 papers there is because immediately following that index of
18 examiner's papers, I have the excerpts from the examiner's
19 papers that deal with that reference. Thus, right there in
20 that batch you have all the portions of the examiner's papers
21 where that reference was ever treated in five years. And I
22 have color highlighted certain portions of that to which I
23 will make reference when discussing the examiner's technical
24 determinations or other handling of those technical disclo-
25 sures.

3 Kayton - direct

1 Now, your question was, Mr. Katz, did the
2 examiner treat as pertinent all of the MCS manual as was
3 listed in the defendants' 282 notice, or just parts of it.
4 And the answer to that is shown immediately afterwards on
5 Bates No. 21. Bates No. 21 is a paper from the examiner's
6 office, and the highlighted portion shows he treated as a
7 reference the MCS 4 manual, but you can see it says pages 1
8 through 6 and 51 through 54. And, therefore, he did not
9 consider the entire manual pertinent, although the protesters
10 apparently do.

Kayton - direct

Q What was the date when this paper was issued?

A Yes. This was November 15, 1979.

Q I note that the particular year cited in the examiner's paper for the MCS 4 manual, this particular issue, was 1974, and the year of the MCS 4 manual bearing the same title, which is listed in the defendants' section 282 notice, is 1973.

Accepting that both of these manuals contain virtually the identical information for a current determination of what the examiner considered material to these proceedings, what must be looked to?

A Well, those pages that the examiner listed that I have highlighted on Bates No. 21, that is what he considered important.

You notice immediately above that color-coded portion on Bates 21, it says -- and this is a Patent Office form, which the examiner is required to follow -- it says, "Other references," other references meaning references other than patents and foreign patents which are listed thereabove.

So it says, "Other references." Typically printed publications would be down here, and then it says in parentheses, "Including author, title, date, pertinent pages," et cetera, and therefore he is charged with listing in that reference what he considers important, and he did, and those are what he considered important.

Q In how many papers, official papers, did the examiner

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consider or treat this MCS 4 manual on the issue of patentability in the case?

A Well, they are all listed there.
reference with 2, 4, 6, 7 papers shown there.

Q In how many papers did the protesters consider it?

A That, of course, is available from the immediately preceding index, and the protesters made reference to it in 9, and the applicants made reference in 10, 10 separate papers. I don't mean a sheet of paper; I mean an office action or an amendment or a brief-like document.

Q Professor Kayton, can you determine from your compilation of the proceedings with respect to these references whether the examiner, as well as the defendants, ever characterized this MCS 4 manual as being relevant alone on the issue of patentability in this case?

By alone, I mean by itself as opposed to being applied in combination with other references as prior art.

A At no time was the MCS 4 manual ever treated as a sole piece of prior art. It was always in combination with something. As, for example, in the Section 282 notice, the applicants combined it with --

Q You misspoke. I believe you meant --
A I did misspeak.

The protesters combined it with another reference, printed publication, that says, "From electronic

Kayton - direct

game to blood analyzers," and that is reference 1B.

Q Was the MCS 4 manual ever considered by the examiner during the reissue proceedings by itself as a significant reference with respect to the patentability of the claims?

6-2

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[Faint, mostly illegible text continues in the body of the page, appearing to be a transcript of an examination proceeding.]

claims 1

2 MR. GOLDENBERG: Objection, your Honor. I don't
3 know how the witness can answer that question.

4 THE COURT: Well--

5 MR. KATZ: I will change the form of the question,
6 your Honor.

7 THE COURT: All right.

8 BY MR. KATZ:

9 Q Was the MCS 4 manual ever expressed by the examiner dur-
10 ing the reissue proceedings as being by itself a significant
11 reference with respect to the patentability of the claims?

12 A No, never, and expressly, if we were to go to Bates
13 number 19 -- your Honor, if you look at Bates number 18, you
14 can see from whence this material was taken from the file
15 history.. I have at the top of this the date, the official
16 paper number, the pages cited, where the explanatory text is,
17 and then I have taken right from the paper itself the heading
18 of the paper with the official Patent Office stamp.

19 All of that on the first page tells you from
20 whence this comes, and way at the top it indicates that this
21 is an excerpt from that paper dealing with the MCS 4 manual.

22 Then when you turn to the next page, to 19,
23 you see that I have highlighted material that deals with the
24 very question Mr. Katz asked.

25 Q Let me --

A The examiner said that:

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"The MCS 4 manual is directed to those skilled in microcomputers in general but does not show specific controller applications or how such a system could be used to replace the electromechanical logic of a surface projectile pinball. Though this reference has some material," that is, information, -- "bearing on the obviousness issue as explained above, it would certainly not contain any anticipatory material."

Now, that is patent practice jargon for saying he cannot under any circumstances use the MCS 4 manual alone. Anticipation means you just use that thing by itself.

Kayton - direct

And then on Bates 31, the green highlighting, continues. A different paper, however, later in the proceedings. And that paper, first page, is indicated at Bates 29, official paper 114.

The examiner proceeds in that later paper to say that:

"Upon review of the cited prior art the examiner is compelled to determine just what the Electronics article" -- which he has been talking about now in combination with MCS 4 -- "the Electronics article would have taught the ordinary practitioner in the surface projectile or pinball art. The answer would appear to be, not much. There is no indication just what is to be modified. Reliance on the MCS 4 manual to amplify on the suggestions of the Electronics article is not believed to be within the proper scope of Section 103 or what was intended in Graham. As a result, the examiner does not believe that the prior art combination initially considered by the examiner, and now reasserted by protesters, would have sustained a prima facie case of obviousness under Section 103."

So this latter statement by the examiner is a clear indication that to the extent he's thinking of it at

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1 Kayton - direct

2 all, it's in combination with another reference, and in any
3 event it's so devoid of value it doesn't even make out a
4 prima facie case, which is another patent practice term.

5 What he is saying is, there is no nexus
6 between those two references that can even justify requiring
7 the applicants to respond to an argument that it's obvious.

8 Q Now, Professor Kayton, in his reference there on page
9 32 is the examiner referring to the Electronics magazine
10 article, "From Electronic Games to Blood Analyzers," which
11 the defendants have identified as 1B in the Section 1 of their
12 282 notice?

13 A Yes. That is exactly the reference.

14 So those two references were expressly treated
15 in combination by the examiner.

16 Q Does the examiner explain why the MCS 4 manual does not
17 add enough to make the Intel advertisement -- and that
18 Electronics article, is that correct, that it's actually an
19 advertisement?

20 A Yes, that's what it is.
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Q Does he explain why the MCS 4 manual does not add enough to make that Intel advertisement a meaningful reference in any combination for rendering the claims unpatentable?

A Yes. And that requires going back to the first thing I read on page 19 where he said:

"The MCS 4 is directed to those skilled in microcomputers in general, but does not show how specific controller applications or how such a system could be used to replace the electro-mechanical logic of a surface projectile pinball machine."

In order for two references to be put together to teach something, there's got to be some suggestion, other than wishful thinking, as to how they're going to be put together to make something work.

And so he did indeed do that.

Q And did he state anything further on? And I refer you to Paper Number 114, page 31.

A Yes. At the bottom of page 31, in the pink highlighting, he added that:

"Furthermore, the publications of record do no more than suggest that it would have been nice to have tried such a combination. Thus the examiner is not convinced that the bridging Electronics

Kayton- direct

1 article relied upon by protesters would have been
2 sufficient to have made obvious the claimed combina-
3 tion to one ordinarily skilled in the pinball art."

4 Now, the word "bridging," there, your Honor, is
5 in the context of what I've just talked about: in order to
6 combine two references, A and B, there's got to be some teach-
7 ing in one of them that suggests bridging or combining the
8 two.

9 MR. GOLDENBERG: Your Honor, I move that that
10 answer be stricken. I think it is clearly an expression of a
11 legal view.

12 I think it may or may not be correct. I'm not
13 prepared to deal with that right now.

14 But I do assure the Court that it is the kind
15 of language that comes precisely out of some cases, and I
16 think it goes beyond the proper scope of testimony.

17 THE COURT: Well, if it's any comfort to you, I
18 don't accept it as a proposition.

19 I mean, you can have two pieces of prior art
20 that don't refer to each other, and have nothing to do with
21 each other in explicit terms, but a person of ordinary skill
22 can see the relationship just on the basis of his prior
23 experience. They don't have to have an explicit reference
24 to each other.
25

Kayton - direct

THE WITNESS: Nor did I even suggest that.

THE COURT: I thought that's what you said.

THE WITNESS: Well, your Honor, what I am saying

is there has got to be something in it that suggests to a person of ordinary skill in the art when he reads it with his knowledge to combine it, and that's what he was saying that was missing. That's precisely the point. Every printed publication is read through the eyes of a person of ordinary skill in the art. When he reads that, does he see any suggestion inherent or not, explicit or inherent, for that combination.

But you have said in short compass what obviously was going to take me a long time to say. That's what we are talking about when we are talking about inherent. It's through the eyes of a person of ordinary skill. And when he sees those two, if he sees it explicitly or inherently, that suggests some reason for combining it, then it's there. If it's not, it's not.

Now, this examiner, expert in this art, did not see that.

BY MR. KATZ:

Q What was the ultimate treatment on the subject, namely, the combination of the MCS 4 manual, with the Intel advertisement in the Electronics magazine?

A This appears on pages 36, 37 and 38 in green highlight.

2 Kayton - direct

1 At the bottom of 36, it points out, "There is
2 considerable debate at this juncture as to whether noise
3 should be an issue and whether the lack of solution thereto
4 was indicative of unobviousness in the overall developmental
5 procedure. The examiner has concluded from the evidence that
6 while some noise reduction techniques are conventional in
7 the electronic art and while Atari and Ramtek, as well as
8 reissue applicants, received help from companies such as
9 Intel, Rockwell, et cetera, Atari and Ramtek did not seem able
10 to overcome these problems at least as of May-June '74. And
11 even upon further experimentation, Atari was not able to over-
12 come these deficiencies in the Delta Queen until at least
13 '75. So when one has compared what actually transpired in the
14 art to the theoretical possibilities of incorporating a micro-
15 computer, for example the MCS 4, in a conventional pinball
16 machine, for example Burnside, as suggested by the March 21,
17 '74 Electronics article, and proposed by protesters, the
18 strength of the arguments in favor therefore diminishes."

19 Then he goes on in further consideration of
20 the collateral factors relating to this; he cites the
21 spurring of others, that is Bally, once having seen the
22 operative model of the subject invention into activity. That
23 is the Bracha patent.

24 And then finally on 38 he says, "In conclusion,
25 the 35 U.S.C. 103 rejection founded on Burnside or Durant in

Kayton - direct

view of electronics in MCS 4 would not have been sustainable
in light of the above discussion."

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Kayton - direct

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Q Professor Kayton, have you heard or read Dr. Schoeffler's testimony here in this case concerning these two particular references individually and in combination?

4 A Yes, I have.

5 Q And did you understand his testimony concerning these
6 references?

7 A I believe I did in a general sense, yes.

8 Q Was there anything in his testimony inconsistent with
9 the characterizations by the examiner of these references
10 which you have just referred to in your testimony, the refer-
11 ences individually or in combination with each other?

12 A No, not only wasn't it inconsistent; it was fully con-
13 sistent and virtually the same thing.

14 Q You indicated that you had heard or read the testimony
15 of Dr. Schoeffler here at the trial. You will recall that he
16 testified with respect to the two references listed by the
17 defendants under 2-A and 2-B in their Section 282 notice;
18 those references being "The Designer's Guide to Program
19 Logic," a manual apparently slated to be published by the
20 Prologue Corporation some time in November, 1973; and a
21 brochure of Prologue entitled, "Everything You Need To Get
22 Into The Game", which defendants indicate has some date prior
23 to August, 1973.

24 As you have previously testified, these two
25 references were not considered by the Patent Office, I believe.

1 A That's correct.

2 Q Now, assuming that Dr. Schoeffler's testimony is cred-
3 ible, that these references either alone or in combination
4 are no more relevant or even less relevant with respect to
5 the issue of patentability of the claims than the Intel
6 references which were listed under 1-A and 1-B, what bearing
7 would these references have had on the issue of patentability
8 had they been introduced in the re-issue proceeding with
9 respect to the patent in suit?

10 A Well, they would have had no bearing --

11 MR. GOLDENBERG: Your Honor, objection.

12 THE COURT: Well, I --

13 MR. KATZ: It is a hypothetical, your Honor.

14 THE COURT: But it-- the question doesn't help me
15 any. You are saying to the witness that if something is less
16 relevant, if you assume it to be a fact that something is
17 less relevant than something that the Examiner said was ir-
18 relevant, then how important is it that it wasn't considered
19 or wasn't presented? And by definition, the answer to, it
20 is not important. Does that help me? I mean do I need to be
21 told that by this witness?

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Kayton - direct

MR. KATZ: No, your Honor, I just was trying to establish --

THE COURT: Am I missing something in the question?

MR. KATZ: I was trying to establish that with respect to the Patent Office practice for the completeness of the record in handling these particular references that were cited, we were trying to establish --

THE COURT: It would be more helpful to me, frankly, to have someone point to me or point out to me in all of the papers filed by the examiner just where he said there is invention here.

For instance, he says in the material we have just looked at that, "Atari and Ramtek did not seem able to overcome these problems, at least as of May-June 1974."

Now, this is talking about noise reduction technique.

Is there anywhere in the examiner's papers where he said, "Here is what Frederiksen did to reduce noise, and it was brand new, and that is why I find that this is an invention deserving of a patent"? Did he do that anywhere --

MR. KATZ: Your Honor --

THE COURT: -- or did he just go through and say, "Well, these other folks were having trouble reducing noise, and the Intel manual didn't help them. Therefore, the Intel manual is not important?"

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1 Kayton - direct

2 covered by MR. KATZ: What he did was he really considered
3 all of the invention of the claims as a whole, that is, the
4 microprocessor controlled pinball machine with the matrix
5 multiplexing and so on. He looked at the --

6 THE COURT: He didn't sit down and say, "Here is
7 what this guy did that was really novel"?

8 MR. KATZ: In the last action he actually listed
9 many reasons for finding patentability, but the invention he
10 considered --

11 THE COURT: Is that what we heard this morning?

12 MR. KATZ: -- is defined by the claims.

13 THE COURT: There were five reasons that were --

14 THE WITNESS: No, there were 5, 22, and then another
15 5.

16 Your Honor, what you are asking for can't
17 be provided because he is charged by law with deciding whether
18 claims are obvious or unobvious over particular pieces of
19 prior art. That is what he must do.

20 Now, sometime --

21 THE COURT: All right --

22 THE WITNESS: -- he says --

23 THE COURT: All right, why didn't he go through and
24 talk about some particular structure then or some particular--

25 MR. KATZ: Sometimes he does that, your Honor.

THE COURT: -- program in the invention that wasn't

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1 Kayton - direct
2 covered by the Intel manual or that wasn't covered by one of
3 these other prior art references? That would be helpful to
4 me.

5 THE WITNESS: Well, he --

6 THE COURT: I mean, for him simply to say that
7 Ramtek was having trouble --

8 THE WITNESS: Your Honor, in --

9 THE COURT: -- that doesn't help me.

10 THE WITNESS: In all deference to you, you are
11 asking for something that the protesters have submitted
12 oodles of prior art on and which this examiner had to deal
13 with step by step, unfortunately just as you are forced to
14 do it, and in doing that, he would in fact say, "The protesters
15 have submitted references A and B and C, and I consider the
16 claims to be obvious," or unobvious over them, and then more
17 evidence was submitted.

18 THE COURT: Well, if there isn't anything more
19 specific than what I have seen so far, we will fill up some
20 time, but I don't think we are going to make much progress;
21 but go ahead. We will see. I hope I am wrong.

22 MR. KATZ: We will take the references. We tried
23 to cull out the specific points --

24 THE COURT: We are dealing here with a particular
25 apparatus, and there is just a dearth of helpful information
in this record so far --

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1 Kayton - direct

2 MR. KATZ: Now, he does treat it with respect to
3 each reference.

4 THE COURT: -- to point out to me what the inven-
5 tion is.

6 MR. KATZ: What he does is he looks at each
7 reference and then says what is not there that is in the
8 claim and what his problem is with respect to that reference.

9 THE COURT: Well, maybe that will help.

10 MR. KATZ: I think you will have to see that.
11 There are a lot of references.

12 THE COURT: All right.

13 MR. KATZ: We have never been able to get it down
14 to one or two references. It has always been a large number.

15 THE COURT: But anybody could sit there and say
16 all these prior art references didn't teach the invention
17 because nobody came up with it except Frederiksen.

18 Well, that is what you say. We don't need
19 the examiner to say that.

20 MR. KATZ: We have gone through a long road --

21 THE COURT: I am hoping that he is going to find
22 that with all of his electronics background and his experience
23 in digital logic -- I hope he took this thing apart and can
24 give me a little technical help on it. If he can't, then I
25 have been waiting here for years under a misapprehension as
to what was going on in the Patent Office.

Kayton - direct

All right, let's go.

BY MR. KATZ:

Q Referring back to I of Defendants' list of references and referring particularly to the third rank, there are three references listed together, especially --

THE COURT: Excuse me. Where are we?

MR. KATZ: This is back on the 282 notice. This would be back in Section 1.

We are looking at the three references, 3-A, 3-B, and 3-C on Bates 2.

Do you have that?

THE COURT: Yes.

Kayton - direct

MR. KATZ: So we have -- the first one is entitled "Special Issue, the Great Takeover," from Electronics International, dated October 25, '73.

Then there's an article entitled, "Electronics Plays the Pins," from a magazine, "E. E. Systems Engineering Today," pages 37 through 40. And then "Microcomputers Muscle In," from Electronics Magazine, pages 63 to 64, dated March 1, '73.

BY MR. KATZ:

Q Do you see those references, Professor Kayton, listed in the notice?

A Yes.

Q From your review of the file history and the reissue proceeding, did the examiner consider these three references during those proceedings?

A Yes, he did.

Q And what was the substance of the examiner's application of those references to the issue of patentability under consideration?

A I would like to respond directly responsive to the Judge's concern, relying on what he did in the prosecution. This examiner looked at the claims; he saw matrix multiplexing, he saw it done cyclically and sequentially; he saw it done as the claims require, with noise immunity features, based on the means plus function clause that

Kayton - direct

1 required a marriage of specific hardware/software combinations
2 that produced a pinball that worked.

3
4 Nowhere in these printed publications was that
5 combination set forth, and nowhere until Frederiksen came into
6 being did such a machine ever work in the noisy environment
7 that it needs to work in, and at a price that's appropriate
8 for pinballs.

9 Therefore, with respect to these two references,
10 he said, these are pie in the sky. No one has taught the
11 combinations of claims. Therefore, Ramtek couldn't do it,
12 Atari couldn't do it, and these printed publications are just
13 saying, "Wouldn't it be nice to do it."

14 Now, Mr. Katz, if you'd like, I'll read the
15 words that he specifically used.

16 Q Yes, I would like you to do that at this point so that
17 we know what the examiner has actually said.

18 A Good.

19 To begin with, under index tab, blue, 3A,
20 Bates No. 62, he said:

21 "The publications of record do no more --"
22 this is the pink reference at Bates 62 -- "The
23 publications of record do no more than suggest
24 that it would have been nice to have tried such
25 a combination as microprocessor and a pinball.
Thus, the examiner is not convinced that the

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1 Kayton - direct

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2 bridging Electronic article relied upon by
3 protesters would have been sufficient to have made
4 obvious the claimed combination."

5 In short, he was saying the combination of
6 elements of the claims are not taught anywhere in these
7 references, and no one teaches to put them together.

8 The claimed combination he knows works. No
9 one else made it work.

10 Then at 61, the page immediately before that,
11 and 62, green:

12 "Even afterwards very little was done to
13 realize the mating of the pinball to the computer
14 industry. Only hints from various publications,
15 Electronics, October 25, '73, Electronics, July 11,
16 '74, continued to suggest the practicality of such
17 a combination. The only entries into this new
18 hybrid art appear to have been reissue applicants
19 around late December '73, Atari around February
20 '74, and Ramtek around or after Atari.

21 "Very little appears on the record to indi-
22 cate that any one of these could have been con-
23 sidered to be ordinarily skilled in pinball
24 machine artisans, which answers the next question
25 as to ordinary skill.

"Other than the magazine articles there's very

1 Kayton - direct
2 little by way of evidence to link the computer
3 technology to the pinball industry. There is
4 even an indication from giants in the pinball art
5 that such wasn't practical."

6 Therefore, if we continue on to 63, the yellow
7 legend at the bottom:

8 "As a result, the examiner does not believe
9 that the prior art combination initially considered
10 by the examiner and now reasserted by protesters,
11 would have sustained a prima facie case of
12 obviousness."

13 In short, he knew what the claims said. He
14 knew what the combinations were. And these were not in what
15 was done.

16 MR. LYNCH: Objection, your Honor. This "he knew"
17 has been constantly coming out in this.

18 I don't believe Professor Kayton is entitled
19 to testify as to what Examiner Hum knew or what he thought
20 the combination of the claims were, unless we look at the
21 claims themselves, your Honor.

22 THE COURT: Overruled.
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Kayton - direct

1 BY MR. KATZ:

2 Q Professor Kayton, with respect to Bates page 61, in the
3 first two sentences, would you read that? Because I think
4 that's the statement in which the examiner was addressing
5 himself during the rest of that paper, and that might be
6 helpful.

7 A (Reading) "The first question that comes to mind,

8 what is the scope and content of the prior art?

9 has been explored to some extent as noted before.

10 Before the initial suggestion by the 1974 Electron-

11 ics article, no multiplexed microprocessor control-

12 led pinball machine existed. Even afterwards, very

13 little was done," et cetera.

14 Q Referring next, Professor Kayton, to the next ranking
15 reference in the notice provided by the defendants, Refer-
16 ence Number 4, there is a U. S. patent number 4095795 dated
17 June 20, 1978, to someone by the name of Saxton; do you find
18 that in the references?

19 A Yes. Saxton was a prior art reference that Examiner
20 Hum himself cited; was not cited by the protester.

21 Q Did the examiner during the reissue proceeding ever
22 apply the Saxton patent as a reference by itself; that is,
23 without being in combination with any other prior art, as it
24 is stated in the 282 notice of the defendants?

25 A He never relied on Saxton alone. He used Saxton in

Kayton - direct

1 two different ways, but always in combination.

2 Q In how many papers did the examiner treat Saxton as a
3 reference?

4 A Explicitly in four papers as indicated on Bates Number
5 90.

6 Q And how did the examiner treat Saxton as a reference in
7 applying it into the case?

8 A Yes. Well, I indicated he treated it in two different
9 ways.

10 And, your Honor, you may recall there were two
11 different sets of claims generally: those that were restrict-
12 ed to surface projectile games, or pinball games; and other
13 claims that were not so restricted. They were broader than
14 that.

15 The Saxton reference was a, not a pinball game,
16 but a slot machine game, a microprocessor controlled slot
17 machine.

18 Now, one way in which he used Saxton was to
19 combine it with other slot machine games to try to emulate
20 the multiplexing with the microprocessor of Saxton. The
21 other way that he used Saxton was in combination with the
22 El Toro alleged earlier invention by the Cyan Atari people.

23 Of course, the El Toro earlier work was held
24 to be not a reduction to practice because it was never shown
25 to be operable according to these proceedings as a pinball

1 game in a noisy environment.
2

3 The examiner suggested, however, that if El
4 Toro were shown to be operative, then putting the micro-
5 processor inside the machine as a unitary structure would
6 not be beyond the skill of the ordinary artisan, because
7 Saxton, a slot machine game, had a microprocessor internal
8 thereto.

9 Those are the two ways that he used them.
10 Both of them, of course, ultimately failed. The El Toro
11 was held to be not operative as a pinball game in its in-
12 tended environment, not in actual reduction to practice and,
13 therefore, not prior art.
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Kayton - direct

1 Q Now, in particular, could you refer to what the exam-
2 iner stated referring to the use of Saxton with other refer-
3 ences and his concern in connection with multiplexing, his
4 expression with respect to multiplexing?

5 A I refer to paper 46 on Bates 91, 92.

6 A Yes. In essence he says, down on 91, number 1, what
7 Saxton lacks is the multiplexing aspect; and the green indi-
8 cates that he has combined that with Saxton with Menke, he
9 suggests that Menke illustrates the reeled games typified by
10 Saxton; that is, the slot machine type games, which could
11 obviously employ multiplexing techniques to cyclically and
12 sequentially enable each of the signalling means discussed
13 supra and to cyclically and sequentially enable each of the
14 display activation means.

15 But on Bates 101 he indicated that, this is
16 a paper that began the Rule 56 examination, and here in a
17 summary, under item B, the review of what the examiner did
18 was stated. He said that, "Several claims were rejected in
19 view of the combined teachings of newly-cited references to
20 Saxton and Menke."

21 The examiner indicated the rejection could be
22 overcome by amending claims to describe the mass as a sur-
23 face projectile and to include a claim limitation that the
24 game apparatus include a surface for supporting the surface
25 projectile.

1 And this, of course, was done and distinguished
2 them from those references as a pinball game.

3 Then on 97 and 98, in terms of the combination
4 of the alleged El Toro work, it wasn't alleged work, it was
5 work, but an alleged actual reduction to practice, and Saxton
6 on pages 97 and 98, the examiner said --

7 Q Excuse me, could you wait for the Court?

8 A Oh, sure.

9 THE COURT: Go ahead.

10 BY THE WITNESS:

11 A (Reading) "The question should not be directed to
12 whether it would have been obvious to have located
13 the microcomputer and El Toro pinball into a cab-
14 inet, but whether the claimed invention as a whole
15 would have been made obvious by the prior art. The
16 examiner is of the opinion that the claimed feat-
17 ures would not have been patently distinguishable
18 over that of the prior art without more and with-
19 out more, the distinguishing structure showing the
20 point at which applicants prevailed where others
21 were allegedly unsuccessful, the examiner is of
22 the opinion that one so skilled in the art would
23 have found it obvious to have constructed an
24 arranged --"
25

Q Where are you reading from now, Professor?

A I am on 98.

But here we have the critical, "without more". Now, "without more" relates to what he subsequently held, that El Toro was not reduced to practice and, therefore, any combination with Saxton was meaningless because El Toro never worked as a pinball game. Therefore, whether it was made unitary or not didn't go to the issue at all because it never worked.

Q Turning now back to the defendants' notice and going down to the fifth category, the defendant lists a reference stated to be a book by Fairchild Semiconductor Company called "The TTL Applications Handbook," which was discussed and testified to by Dr. Schoeffler, and specifically pages 1-5, 1-6, 3-1 to 3-24.

Do you find that, Professor Kayton, in the list of references?

A Yes.

Q It is at Bates number 2.

Q Was this reference considered by the examiner during the reissue proceeding?

A Yes, it was.

Q Where was it considered?

A Well, if you look at Bates 107, after blue tab 4, you see another one of the examiner's lists of prior art, and there--

Kayton - direct

1 Q What was that? What was the Bates number?

2 A Bates number 107.

3 Now, there highlighted in pink you have the
4 Fairchild Handbook shown, and exactly the same pages listed
5 by the examiner as the protesters stated in the 282 notice.

6 Q Could you tell the Court whether the examiner relied on
7 the same pages that the defendants are relying on in this
8 Applications Handbook?

9 A They seem to be the same to me, yes.

10 Q Did the examiner rely during the prosecution on this
11 handbook by itself as a reference, or did he rely on it in
12 combination with other references?

13 A He relied on it in combination with other references.

14 Under index tab -- correction, under Bates
15 number 107-A, the yellow highlight indicates that he combined
16 it as a secondary reference with the El Toro activities, and
17 under 107-C, he combined it as a tertiary reference, added
18 on to the El Toro activity in combination with Saxton and
19 then the Fairchild manual.

20 Q What do you mean by a tertiary reference?

21 A Well, as I discussed before, if the claimed combination
22 reads on, comprehends, or is met in a single document, that
23 is a single reference and it is anticipated, and that usually
24 ends the matter; but if the claimed combination or all of
25 the elements set forth in the claim are not found in one

1 document or one prior art activity, then the examiner, in
2 order to reject it, typically will look for another one to
3 combine it with and urge that there is some teaching that
4 suggests combining it.

5 If two documents fail to disclose all that
6 is claimed, he must search for a third, and that third is
7 the tertiary reference.

8 In order for that combination to be viable to
9 make out a prima facie showing, as the Court indicated earlier,
10 there must be something with which a person of ordinary skill
11 in the art would perceive, inherently or explicitly, to sug-
12 gest combining those references.

13 Q How did the examiner during the reissue proceeding char-
14 acterize the teachings of the Fairchild Handbook, and if you
15 could point out the places where it was best characterized?

16 A Well, at Bates 106, the green highlighting is such an
17 indication. That is an early paper, Official Paper Number 27.

18 He said that, "The Fairchild TTL Applications
19 Handbook, dated August, 1973, of Exhibit 37, presents multi-
20 plexed --" I think that means -- "multiplexed display appli-
21 cations but does not indicate implementation in pinball de-
22 vices and is considered to teach the state of the art in
23 electronics."

24 Then on Bates 108, in the yellow highlight,
25 this is the Rule 56 proceedings summary.

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2 The summary states, "The remaining references
3 depicted the state of the art in electronics. Because the
4 majority of these references did not address pinball games
5 specifically, such references were found to have no bearing
6 on the computerized pinball game of the featured claims.
7 Such references included," and then on the next page the
8 Fairchild Handbook is listed.

9 THE COURT: Is that language that you just quoted
10 directed solely to the question of anticipation, or is it
11 also directed to the question of obviousness?
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Kayton - direct

THE WITNESS: This one is really directed to neither, Your Honor.

What he's saying is, is that this is something that's the state of the art, and by itself it doesn't teach anything that goes to either anticipation or obviousness.

And that's understandable, because it's a tertiary reference.

BY MR. KATZ:

Q Would you consider that a reference of teaching background, background knowledge?

A It's a background teaching reference, and that's what he says.

In other words, it's the protesters and the defendants who have listed this in the 282 notice, not the plaintiffs.

And I'm simply telling the Court how the examiner viewed it in the overall scheme of relative importance of prior art.

THE COURT: He says here that: "The remaining references depicted the state of the art in electronics."

Now, as I understand it, he says that the state of the art in electronics has no bearing on the computerized pinball game of the featured claims.

THE WITNESS: Yes.

THE COURT: Do you agree with that statement?

Kayton - direct

THE WITNESS: Yes, because it's the TTL applications handbook, your Honor.

Now, I'm not proffering myself as a technical expert --

THE COURT: No, I'm not talking about technical expertise. I'm talking about the question of whether general developments in electronics, for instance the state of the computer art in 1974 is relevant to the issue of patentability here in this case.

THE WITNESS: The answer is, to computers, yes.

But the point is, all electronics is not computers. And that's precisely the point.

He was saying TTL, transistor transistor logic, is not digital computers. It's an electronics approach that failed to make, according to Dr. Schoeffler's testimony, an electronic pinball game.

THE COURT: All right. I understand.

THE WITNESS: The way it was done was with micro-processors, as Frederiksen did.

Therefore, what he is saying is, this background in electronics teaches nothing about how to make a computer pinball game.

Now, having said that, your Honor, I hope I have not subjected myself to being a technical expert, because I am not. And I don't want to be in that guise.

Kayton - direct

All I have just said is what I recollect from Dr. Schoeffler's testimony.

BY MR. KATZ:

Q With respect to the other references that are listed on Bates 108 and 109, he has parenthetical statements with respect to the others as background information.

A. Yes.

Q And what are those?

A. Calculators, the '746 patent, and the French '597 patent, general electronics.

And then he mentions Bally Alley simulated bowling games: Not surface projectile at all.

This is not the art that he's saying. And he says this again and again in the proceeding.

THE COURT: What kind of electronics was involved in Bally Alley?

THE WITNESS: Bally Alley was a microprocessor, but it was not a surface projectile game. It was a simulated movement.

THE COURT: It has to be a surface projectile to be relevant?

THE WITNESS: Well, that's the crucial thing, as the examiner pointed out.

You need a real time response, as Dr. Schoeffler stated. Without the real time response, the simulated

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1 Kayton - direct
2 lights in Bally Alley were meaningless.

3 The real time response and the noise, as
4 Dr. Schoeffler said, and the examiner said with respect to
5 Bally Alley, forty times is the critical thing. He said
6 Bally Alley was meaningless as a reference.

7 Bally Alley was a reference that was con-
8 sidered in the original patent, and the original patent was
9 allowed over it.

10 And the protesters asserted it in the reissue
11 so many times it defies belief. The examiner must have said
12 four times, "Please stop citing Bally Alley, because it has
13 nothing to do with the problems of the pinball surface
14 projectile game."

15 Now we can go to the Bally Alley directly, and
16 I can show you that.

17 THE COURT: All right.
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1 BY MR. KATZ:

2 Q Referring back to Bates page number 2, in the Exhibit
3 416-1, to the sixth category of reference which actually
4 lists Bally Alley Service Manual from Bally Manufacturing
5 Corporation with the date of January, '78, although it was
6 an earlier published manual, it refers to all pages.

7 Do you see that, Professor Kayton?

8 A Yes.

9 Q Now, is that a reference that was discussed or treated
10 by the examiner during the reissue proceedings?

11 A Yes, extensively. For example, I can tell you, he
12 discussed it at nine official papers; the protesters did
13 at nine; the applicants at six, for a total of 24 papers for
14 discussion of Bally Alley.

15 Q And when was this reference first introduced into the
16 prosecution of any of the claims that are in issue in this
17 action?

18 A Well, the first paper is the protesters' paper March 1,
19 1976, when Bally Alley first came into the protested reissue.

20 Q Now, the original patent was in fact allowed over that
21 reference, is that correct, as you noted?

22 A Yes, the original patent was allowed. Mr. Katz expressly
23 brought it to the attention of the Examiner Hum when he was
24 examining the original patent, and not only were the claims
25 allowed over it, but if you look at the original patent,

1 which I have, patent number 4093232, which issued June 6,
2 1978, you see, I don't know what exhibit that is, but I think
3 it's an exhibit in the case; in any event, it is the original
4 patent.

5
6 At the top of the second column of the patent,
7 it expressly says, "Bally Alley Service Manual, Bally Manu-
8 facturing Corporation, January, '78," precisely listed as a
9 considered reference.

10 And during the reissue, the examiner just many times
11 said he doesn't want to hear about it.

12 If you were to turn to Bates 120, you will
13 see the pink highlighting which says, "With these observa-
14 tions in mind, it is the examiner's desire to finally put to
15 rest any further untreatments by protesters on the applica-
16 tion of the Bally Alley teaching."

17 Then --

18 Q Professor Kayton, what were the technological bases
19 stated by the examiner for refusing to reject the claims
20 on the Bally Alley claim?

21 A Well, there were several.

22 First of all, he said Bally Alley is like all
23 the references that were discussed in the first patent. They
24 don't teach pinball. They are simulated games and you can
25 learn nothing about how to make an electronic pinball game
from those simulated games.

Kayton - direct

That was one approach.

But then he goes on specifically, and I want to get the right paper.

Q In paper number 24?

A He says, at Bates 113, with respect to the manual, in the highlighted material, what I have just said; namely, that there is no substantial difference between Bally Alley and the other simulated games.

Then at the bottom he points out, the very last line, "The simulated game art is a divergent branch of the amusement discipline which encompasses both the actual projectile, Fisher, Durant," those are other references, "and the simulated projectile discussed above. This publication would not have made the claims obvious."

Then on 116 --

Q Now, before you go on to that, can I refer you back to 113?

A Yes.

Q In the second sentence, what are those other references that says, "This arcade bowling game is a microprocessor controlled discrete display simulated bowling game."

A "And is analagous" --

Q "-- and is analagous to the types of games exemplified by Ariano, Yoseloff and Kirschner, all of record in the patent distinguished from the surface projectile games of

the instant invention."

What types of games is he referring to by Ariano, Yoseloff and Kirschner?

A All of those are simulated game references that were disclosed and discussed in the original patent prosecution.

Kayton - direct

Q By that, do you mean as an example video games or TV --

A Oh, yes, I should have said that, exactly, the video game art, precisely.

Q Okay, going on; I am sorry.

A Then at page 116, at the top, the pink legend, he says:

"The reasons for sustaining non-obviousness

of the claimed device in view of the Bally Alley

game have been adequately discussed in the first

Office Action, paper No. 24, page 5, and in appli-

cants' reply of paper No. 42, pages 5-7."

Now, your Honor, I have before me that excerpt

that he makes reference to, and it reads as follows:

"In the former, a relatively new field, the

simulation was accomplished by dealing only with various electrical signals and means for displaying

some simulation of motion; while in the latter, an

old established industry, the designs --" we are

talking about the pinball art -- "the designs had

to deal with an actual physical mass having inertia,

momentum, variable speed, impulse, and other

physical aspects. It is with these latter types of

games that this case deals."

Therefore, the reissue proceeding is replete with the examiner's focusing on the fact that this invention deals with game technology having physical movement, real

Kayton - direct

physical movement, not simulated movement, but could not include the electromechanical pinball art, which had none of the noise problems that the electronic pinball that everyone was seeking dealt with.

So he made it very clear that you can get nothing from the video game techniques, from the simulated game techniques, and nothing from the electromechanical pinball techniques.

So what he looked for then was for things that were done with microprocessors, but no one was able to make the microprocessor work in an electronic pinball context with these physical real time constraints, and most importantly, with, as Mr. Goldenberg said in his opening statement, the noisy environment in which pinball games operate.

That is what all of this search had to do with and what all of the art which he kept rejecting had to do with.

Finally, the only art that ended up were the activities in the Section 282 notice, which were alleged to be activities that showed people were able to succeed, but it ended up that no one succeeded at all. El Toro did not work for its intended purpose and Lucky Dice, Ramtek, did not either, and that is a thumbnail sketch of the entire reissue proceeding.

I would like to refer you, Professor Kayton, to Bates 116 and the last note of the examiner on that point.

1 A Kayton - direct

2 Yes, that is the yellow material that says:

3 "These comparisons merely point out that the
4 problems and the objectives of the surface pro-
5 jectile area differ and diverge from those of the
6 simulated game field, as exemplified by Bally
7 Alley."

8 Q Does he mention Bally Alley in connection with the
9 Rule 56 proceeding at paper No. 172, Bates 132?

10 A On Bates 132, the green highlighting, he says:

11 "The Bally Alley game, which has been discus-
12 sed at great lengtth and on numerous occasions, is
13 emphatically not material. Of particular note,"
14 and he goes on and says the same things that I have said
15 before:

16 "...is the fact that the Yoseloff patent,"
17 the video games reference, "considered in the
18 original application and in the instant reissue
19 application is virtually the same type of device
20 found in Bally Alley," the simulated thing.

21 Now, he did say that Bally Alley had some
22 significance with respect to the original game claims in
23 the original patent, with respect to those claims that were
24 not restricted to surface projectiles. Nevertheless, he
25 found the claims patentable thereover.

If anything was thrown out in this case, it
was Bally Alley.

Q Professor Kayton, are you familiar with the testimony of Dr. Schoeffler, in which he testified that the pinball games, on the one hand, were examples of real time control systems; whereas there were other games, such as Bally Alley, which were examples of non-real time or simulated games?

A Yes.

Q Do you agree that the examiner during the reissue proceeding recognized the distinction between these two types of games and the different problems associated with each of them?

A Well, everything I have read --

MR. GOLDENBERG: Objection, your Honor --

BY THE WITNESS:

A -- he said so --

MR. GOLDENBERG: -- I think it is one thing to ask this witness if he finds something in the file wrapper and wants to call it to the attention of the Court. I think it is another thing when you put this witness in the position of judging whether the examiner was correct or incorrect on some technical matter. He has disqualified himself in that area.

THE COURT: What is the question, Mr. Katz? Would you mind repeating it?

MR. KATZ: I just asked whether he agreed that the examiner recognized the distinction between these two types of games, which I think Professor Kayton has already testi-

1 fied about.

2
3 THE COURT: Yes, overruled. I really think that
4 would just be a summary of what he said so far.

5 THE WITNESS: That is a concise summary of what I
6 just reported the examiner said. Of course, that is the whole
7 point of all of his statements.

8 BY MR. KATZ:

9 Q Given now then that the examiner stated his position that
10 the problems and the objectives were different in the simu-
11 lated game art as opposed to the pinball machine art, in which
12 there was involved real time control system requirements,
13 what significance does that have in the examination for
14 patentability under patent practices in the Patent Office in
15 connection with non-analogous arts?

16 A This is precisely the kind of thing that you would say
17 a person of ordinary skill seeking the solution would not
18 look to. The problems are different. The constraints are
19 different. The solutions are different. Everything is
20 different. It is an inappropriate area to go into. It is
21 non-analogous.

22 You don't have to say it is non-analogous.
23 Everything is so different that no help can be derived from
24 it in trying to come up with a machine such as the one of the
25 patent in suit.

Q Next turning back to the 282 notice on Bates 2, notice

Kayton - direct

1 of defendants, listed as the 7th reference is the U. S.
2 Patent of Burnside, number 2,864,619, which issued on
3 December 16, 1958.
4

5 Was that patent treated by the examiner during
6 the reissue proceeding?

7 A Yes, it was treated by him in some ten separate official
8 papers, by the protesters in 9, and the applicants in 8, for
9 a total of 27 official papers.
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pers 1 Q Kayton - direct

2 Professor Kayton, would you point out how the examiner
3 treated that reference during the reissue proceeding?

4 A That is done rather succinctly for us on page Bates
5 138, with the pink highlighting, and then on Bates 151, with
6 the green highlighting.

7 The top indicates that Burnside is an electro-
8 mechanical pinball machine. This is a different kind of pin-
9 ball machine, if I remember correctly from Dr. Schoeffler's
10 testimony, in that it was a Bingo-type game, where balls fell
11 into holes, but it was electromechanical.

12 It was a type of multiplexing, the examiner
13 said.

14 "This arrangement only proves that electro-
15 mechanical multiplexing means can operatively
16 receive input signals from the ball response
17 switches."

18 He was saying, however, that:

19 "This does not teach those ordinarily skilled
20 to connect the multiplexer to the processor for
21 cyclically and sequentially enabling each of the
22 switches to signal the processor and for cyclically
23 and sequentially activating the lights. In view
24 of the fact that Burnside's configuration is for
25 a completely different purpose, that is, the
structure, this reference will not appear to have

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any effect on the Section 102 or Section 103 issues."

Then on Bates 151, this is in the reissue proceeding, a summary -- I don't mean the reissue. I mean the Rule 56 proceeding of the reissue, a summary statement with respect to Burnside, wherein he says:

"While this teaching would appear to have some relevance, it would not have been material since it does not address the issue of combining microprocessor computer base electronics to multiplexing of quasi-electromechanical surface projectile games. The problems encountered in an electromechanically-scanned game are not equivalent to those found in the computerized variant, since such implementations are infinitely more noise tolerant."

That is, the electromechanical games are infinitely more noise tolerant.

"As in the above evaluation, both Budnick and Montgomery are concerned with basically electro-mechanical, slow-acting, noise-insensitive systems."

I have highlighted that not because of Budnick and Montgomery but just he is saying these are the same issues as with respect to Burnside, slow-acting, noise-insensitive systems.

Then on the next page he holds Burnside is not material.

1 Q And with respect to the Budnick and Montgomery patents
2 that he mentioned, what were those related to?

3 A At the moment I absolutely cannot recollect. I'm sorry.
4 I simply have drawn a blank on those two.

5 They're readily available. They're in Volume
6 2. Just for the moment I cannot recollect.

7 Q I'd like to -- Do you have Volume 2 with you?

8 THE COURT: Let's take a recess.

9 MR. KATZ: Thank you.

10 (Brief recess.)

11 THE COURT: Proceed.

12 BY MR. KATZ:

13 Q Referring back to the defendants' Section 282 notice,
14 and the 8th reference listed in Bates page 2 of the book,
15 Exhibit 416-1, there are cited other articles from Electron-
16 ics Magazine.

17 One is entitled, "Single Chip Microprocessors
18 Open Up A New World of Applications," dated April 18, 1974,
19 pages 81 to 89.

20 And then the other article, which was omitted
21 from Volume 2 of Plaintiff's Exhibit 416, but which was
22 marked separately as Plaintiff's Exhibit 461 during Dr.
23 Schoeffler's testimony, is entitled, "N Channel MOS Tech-
24 nology Yields New Generation of Microprocessors," pages 88
25 through 95.

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2 Professor Kayton, were these references treated
3 by the examiner during the reissue proceedings?

4 A No, they were not.

5 Q And having read or heard the testimony of Dr. Schoef-
6 fler with respect to these references, do you recall that he
7 testified that these articles merely related to microcom-
8 puters generally; they did not relate to any pinball tech-
9 nology, and that they were actually misleading and in par-
10 ticular in connection with one of the articles that related
11 to the microprocessor work done for Ford Motor Company?

12 A Oh, I remember that, yes.

13 Q What effect if any would the submission of these references
14 have had on the re-issue proceedings by the examiner in
15 accordance with established Patent Office practice and pro-
16 cedures?

17 MR. GOLDENBERG: Objection, your Honor.

18 THE COURT: Sustained.

19 BY MR. KATZ:

20 Q Would the submission of these references before the
21 Patent Office have actually supported patentability based on
22 the practices in the Patent Office?

23 MR. GOLDENBERG: Objection, your Honor.

24 THE COURT: Overruled.

25 BY THE WITNESS:

A Yes, they would have.

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1 Number 1, they were so far off the mark, according
2 to Dr. Schoeffler's testimony, that if anything they would
3 be indicia of patentability on non-obviousness.

4 But if his testimony about the misleading aspect
5 of the third reference is correct, that goes to the very heart
6 of the non-obviousness of the electronic pinball invention
7 that we're talking about, because that third reference sort
8 of suggested that you simply can take a microprocessor and
9 stick it into a car without all that much activity.

10 Dr. Schoeffler testified that to talk, I don't
11 know, 48 man years of work and millions of dollars to get
12 even a prototype, let alone production models.

13 And that is exactly the issue in this case,
14 as far as the prior art and the way the examiner handled it.

15 His whole point was that all of these refer-
16 ences talk about doing something; none of the references show
17 how to do it, and no one did it other than Nutting and
18 Frederiksen.

19 That being the case, that's precisely the
20 kind of thing that would be indicium of non-obviousness and,
21 in response to your question, would have been something that
22 could have been relied upon for that purpose.

23 Q Going to the last category, Professor Kayton, number 10,
24 which is the Intel Corporation publication, Intellec 4
25 reference manual, dated 1974, and the defendants indicate

1 that they rely on all pages of that manual:

2 Was that manual treated or referred to in the re-
3 issue proceeding by the examiner?

4 A Yes, it was.

5 I'm looking at Bates Number 157. It was an offi-
6 cial paper, Number 79, and the only place it is treated
7 appears on page 160 with the highlighting there -- I believe
8 there's highlighting there.

9 It says simply:

10 "The Intel Intellec 4 Manual presents
11 basic facts about the modules used with the
12 Intellec 4 microcomputer."

13 In short, this reference is the manual for the
14 microcomputer, the blue box that we saw elsewhere. And
15 that's just like saying that when you have a combination of
16 multiple things making an invention, here you have a screw or
17 a lever that's part of it.

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Q Now, Professor Kayton, Dr. Schoeffler was cross-examined at some length on this Intellec 4 manual, and its disclosure of double sensing of switches to prevent cross-talk effects from the long cables used with the Intellec 4 equipment, but defendants never argued the specific disclosure to the Patent Office, although, of course, the examiner did cite this manual, as you have noted.

Now, assuming the credibility of Dr. Schoeffler's testimony, what relevancy, if any, would this manual have had to the issues of patentability before the examiner, if this specific disclosure in its testimony had been presented to the examiner?

MR. GOLDENBERG: Objection, your Honor.

THE COURT: Well, I know what he's going to say and he might as well say it. Overruled, go ahead.

BY THE WITNESS:

A Well, your Honor, what I was going to try to recollect what Dr. Schoeffler testified. And my recollection was, that he said that in the context of the El Toro, the Intellec machine had some use in eliminating crosstalk in the long cables between the Intellec and the machine. And that therefore, there was a crosstalk avoidance technique. Crosstalk, as I understand it, is like crosstalk on the telephone; when you speak on the phone, you hear someone else speaking on an adjacent pair of wires.

Under those circumstances, if that's what it does, when you have a pinball machine that doesn't have a long cable, and no pinball machines that I know of have long cables, whatever is taught in there is of no use because there is no long cable and, therefore, it would be in opposite.

But I may recollect his testimony incorrectly, but that's what I recollect.

BY MR. KATZ:

Q Defendants have also included in their section 282 notice the three references listed as A, B and C in your tab section 1 on Bates page 3 of the compendium. These are the items from Business Week of May 12, '73; an item from Electronic News dated January 14, '74; and a general item from Peninsula Electronic News dated April 9, '74, which were not cited or considered by the Patent Office.

Assuming the credibility of Dr. Schoeffler's testimony, would these, submission of these references have had a bearing on the question of patentability before the Patent Office?

MR. GOLDENBERG: Same objection as before, your Honor.

THE COURT: Overruled. You may answer.

THE WITNESS: I'm sorry, I missed one word. Would have had what?

1 BY MR. KATZ:

2 Q A bearing on patentability.

3 A Oh, a bearing. Yes, it would have been, these refer-
4 ences are indicators of patentability, because in a couple
5 of instances they say, "Gee, wouldn't it be nice to have an
6 electronic pinball," which, of course, everyone was saying,
7 "Wouldn't it be nice".

8 That pie in the sky expectation or hope without
9 any teaching of how to implement it is a clear indicium of
10 non-obviousness. If there is a widespread desire but no one
11 can do it and no teaching how to do it, that's one of the
12 significant indicium of non-obviousness under Graham vs.
13 John Deere and under the Manual of Patent Examination and
14 Procedure.

15 Q Now, Professor Kayton, I would like to read a short
16 excerpt from a deposition taken in this case and submitted
17 to the Patent Office of a Dr. Philip Tai who was with the
18 Intel Corporation and one of the designers of the MCS-4
19 system, as he testified, and who at the time of his deposi-
20 tion was president of American Semiconductor Corporation,
21 and with respect to these Intel advertisements and articles;
22 in response to being shown some of these general Intel
23 articles by Mr. Lynch, Dr. Tai said at his deposition, taken
24 on August 25, 1981, at page 10 --

25 MR. KATZ: And, your Honor, Dr. Tai was from the

1 Orient and had some trouble with his English grammar, al-
2 though he had a Ph. D. degree in electronics.

3 MR. GOLDENBERG: Mr. Katz --

4 BY MR. KATZ:

5 Q "Let me put it this way. --"

6 MR. GOLDENBERG: Excuse me, Mr. Katz. What exhibit
7 number is that, sir?

8 MR. KATZ: It is not an exhibit. It is just a depo-
9 sition that was submitted.

10 BY MR. KATZ:

11 Q (Reading)

12 "Let me put it this way. I have a lot of
13 discussion like that and every time certain new
14 products came out a lot of people tried to dream
15 a lot of things and take advantage of that popu-
16 larity and a certain concept and wrote a lot of
17 articles. We never see one game really performing
18 before our actual eyes at that time, just a promo-
19 tion of the concept. How to do those details into
20 a game really not existent at that time. Really
21 nobody has any concrete and finished product using
22 a microprocessor per se during that time, just a
lot of talk."

23 Assuming Dr. Tai's testimony is credible, is it
24 consistent or inconsistent with your characterization of
25

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1 what these general articles indicate?
2 A

3 Well, it is completely consistent. It is the same
4 thing.

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1 Q I would like to turn now to the alleged prior activities
2 by others under III of the Defendants' Section 282 notice
3 and particularly to the activities of Atari Corporation re-
4 lated to the El Toro work.

5 Would you please state whether the examiner
6 ever treated the El Toro work during the reissue proceedings,
7 and if so, in how many papers did he treat it?

8 A He did, and for that I must refer to Volume III of
9 Plaintiff's Exhibit 416-1.

10 There is an index tab there that says "El
11 Toro," but immediately before that is an index tab that says
12 "Section 4," which lists the various alleged prior art in-
13 ventions asserted under III.

14 Q That is at Bates 1303, is that right?

15 A Correct.

16 Q After Section 4 tab?

17 A That is correct, and then following that on pink tab
18 14, we have the index of all of the papers filed on El Toro.

19 El Toro was treated more than anything else in
20 the reissue proceedings. I have tallied the papers. There
21 were a total of 58 of the 181 official papers. There
22 ed El Toro. The protester defendants discussed El Toro on
23 22 papers, the applicants, the plaintiffs, in 21, and the
24 examiner, either the substantive Examiner Hum or the assis-
25 tant commissioner in the fraud proceedings, discussed it in

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1 15 separate papers.

2 Q Would you please state whether the Atari Cyan activities
3 on the El Toro ever provided a basis for rejecting claims
4 during the prosecution of the re-issue application?

5 A Yes.

6 Q Would you please state what the bases or nature of the
7 rejections were?

8 A Basically the examiner early on in the proceeding stated
9 that the El Toro was a pinball type machine upon which the
10 claims either read or were similar to in some way and that
11 it worked for its intended purpose. That is what he said
12 early on.

13 A After extensive evidence on the subject
14 throughout the entire five years of the reissue proceeding,
15 he completely retracted that position and said the El Toro
16 never worked for its intended purpose, even though he accept-
17 ed the fact that it was all separated and not in a unitary
18 compartment as not a controlling issue.

19 His position was, based on all of the evi-
20 dence, that the El Toro could not work in a noisy environ-
21 ment. The problems were never solved, and the tests under-
22 taken by the Atari Cyan people, Mike Rogers and so on and
23 the testimony of Mr. Meyers, the head of the project, demon-
24 strated that it could not function in a noisy environment.
25 Mike Rogers, whose deposition is in the case

Kayton - direct

1 and whose declaration was presented to the Patent Office,
2 reported that he used an electric drill contiguous or adja-
3 cent to the El Toro, and it generated noise and it could not
4 operate. It hung up as a consequence.

5
6 To be contrasted, of course, with the testi-
7 mony of Mr. Smith and Mr. Winters with respect to the Flicker
8 machine, where they also used an electric drill and an even
9 more powerful device, a Van Der Graf generator for generating
10 a static charge, where all of those things failed to impede
11 the operation of the Flicker machine.

12 Q Was there also another category of rejection relating
13 to public knowledge and availability?

14 A Yes, early on at the time when the examiner had early on
15 still said that the El Toro worked for its intended purpose,
16 that is, was actually reduced to practice, the protesters
17 alleged that the El Toro was known in a public way so that it
18 was in the public domain in a Section 102(a) sense.

19 After extensive evidence during discovery on
20 that subject was presented, the examiner withdrew his re-
21 jection, holding that the El Toro, whether it was reduced to
22 practice or not, was not publicly known; that the people who
23 saw the El Toro either had imposed upon them a confidential
24 obligation or, if they did not, they were not subject to know-
25 ing what the El Toro actually had inside and, therefore, there
could be no public knowledge of the claimed invention through

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Kayton - direct

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1 the El Toro because no one knew about it.

2 So that rejection was also withdrawn.

3 Now, I must say that these 58 papers represent
4 huge numbers of evidentiary submissions over a long period
5 of time.

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Kayton - direct

1 Q Now, Professor Kayton, what was the examiner's final
2 determination with respect to whether the El Toro was actu-
3 ally reduced to practice?

4 And would you state the examiner's expressions
5 of his position at the particular point in the record.

6 A Yes. It was stated in several places. And, of course,
7 there are two things, namely, the public knowledge and
8 whether it was something that worked. Two separate con-
9 siderations.

10 I look first at 1352, which deals with whether
11 it works or not. And it's highlighted there in pink. And
12 it says:

13 "In the El Toro stage evidence exists to show
14 that it was --

15 Q Just a second, let me find that. 1352.

16 Okay.

17 A "...evidence exists to show that it was" --
18 that is, the El Toro -- "was susceptible to switches
19 hanging up. And despite further work, this fail-
20 ure was apparently not corrected as noted by the
21 evidentiary record."

22 And farther down he says:

23 "Even though Atari Cyan should have learned
24 from the El Toro experimental stage and applied
25 such learning to the two Delta Queens to eliminate

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2715

1 bombing, such was not apparently done."

2
3 It is apparent that they still did not have
4 control or the device.

5 "Coupled with the newly-supplied arguments,
6 submissions, and the fact that the programmer,
7 Cox," -- Cox was a Cyan Atari programmer who worked
8 on the El Toro -- "did not correct the program to
9 eliminate the inherent problems. And Cyan, despite
10 testimony that various noise reduction techniques
11 were conventional in the art, was not able to
12 cure the defects in the Delta Queen at Frank's.
13 The examiner now finds that the El Toro was not
14 reduced to practice for the purpose of 35 USC 102G/
15 103."

16 So he's saying El Toro neither anticipated the
17 claims nor rendered the claims obvious.

18 And he proceeds on to the green highlighted
19 statement to indicate that he was examining this in the light
20 of the authority of Graham versus John Deere.

21 Then on the next page, 1354, he said:

22 "The third consideration to be resolved is
23 the level of skill to be attributed to the art.
24 Clearly Atari-Cyan has been recognized as a company
25 with a widely-known reputation in the electronic
game discipline. Moreover, the courts are cognizant

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of Atari's credentials and mention same in Magna-
vox v. Chicago Dynamics."

You may recall, your Honor, that was your
video games case some time ago in 19 -- I forget when.

He then goes on to page 1355 and says:

"The El Toro is susceptible to hanging up or
bombing. Some time after May/June 1974 open house,
but before October/November '74 the El Toro machine
was dismantled and the experimentation on the
machine terminated."

He mentions the Cyan report at the bottom,
indicating problems. And then ultimately on page 1356, he
said:

"The examiner has concluded from the evidence
that while some noise reduction techniques are con-
ventional in the electronic art, and while Atari
and Ramtek as well as reissue applicants received
help from companies such as Intel, Rockwell, et
cetera, Atari and Ramtek did not seem able to over-
come these problems, at least as of May/June 1974."

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1 THE COURT: Is there any place where he says what
2 unconventional noise reduction techniques were used?

3 He says that, "While some noise reduction tech-
4 niques are conventional" --

5 THE WITNESS: Yes.

6 THE COURT: --and the implication is that in this
7 patent unconventional things were done to reduce noise.

8 THE WITNESS: Yes.

9 THE COURT: Is there anywhere that the examiner
10 pinpoints those unconventional techniques?

11 THE WITNESS: No, your Honor, there is not, nor
12 would anyone expect them to be set forth in the ordinary
13 course of patent prosecution.

14 What an examiner does is look at the claims,
15 and he looks at what the claims represent.

16 He, from a technological point, understands
17 what that combination is.

18 Dr. Schoeffler testified to that. And he said
19 that that produced the results.

20 Atari and Rambek couldn't do it and didn't
21 have those techniques.

22 Dr. Schoeffler pointed out where he -- those
23 kinds of techniques exist in the infringing device.

24 MR. LYNCH: May it please the Court --

25 THE WITNESS: That's simply the way prosecution

1 goes.

2 MR. LYNCH: May it please the Court, your Honor,
3 there was only one time where I think the examiner made such
4 a comment, if the Court please. At page 103 of 415.

5 THE COURT: Read it to me.

6 MR. LYNCH: It says:

7 "Reissue applicants have argued extensively
8 on the noise problems of the El Toro machine. If
9 these problems could not have been remedied by
10 ordinary technical skills (electrical shielding,
11 component isolation, minor software changes to
12 ignore switch bounce, et cetera would have re-
13 quired inventive faculties to correct and could be
14 proven by substantiated evidence) then possibly the
15 examiner would concur."

16 At this point he was rejecting the claims,
17 your Honor.

18 I think the point is that I do not know, your
19 Honor, of any place where he found those, the types of noise
20 techniques that were unobvious.

21 But he did label these as obvious at the time.
22 MR. KATZ: Your Honor, we'll attempt to review the
23 record for that type of thing tonight --

24 THE COURT: All right.

25 MR. KATZ: -- and perhaps we could bring some light

1 on that subject..

2 THE WITNESS: I have no recollection, your Honor,
3 nor would I expect there will be any such. I would be
4 shocked if there were such an expressed statement.

5 THE COURT: You mean it would be highly unusual
6 in a patent file wrapper to find any reference to something
7 that is novel?

8 THE WITNESS: No. What would be entirely unobvious
9 is to find a reference in the file wrapper where the examiner
10 says why the claims are patentable.

11 Until very recently examiners were forbidden
12 to say that until -- but within the last couple of years
13 the rules and the MPEP have directed the examiner to make
14 the following statement, and the statement goes this way:

15 If from the prosecution history it is not
16 possible to tell why the claims were allowed, then the exam-
17 iner may state why they were allowed.

18 And there was considerable opposition from
19 a segment of the bar to the Patent Office promulgating this.

20 But during the prosecution of these cases, the
21 original, and during most of the reissue, there was no way an
22 examiner would say why he's allowing the claims.

23 What he is charged to do is to determine
24 whether the art that he cites or the protesters' renders the
25 claims obvious or renders them anticipated.

20

The whole point is, you can't grab your hand on anything here because in fact each of these plethora of references that are cited is not close to the claims. That is an indication of non-obviousness, your Honor, rather than the contrary.

0-1 b1

Kayton - direct

Q Professor Kayton, referring on also with respect to the El Toro, did you finish your answer on the examiner's statements with respect to his final determination?

A No, I only finished it with respect to whether the El Toro worked and could be even thought of as prior art.

The other part had to do with whether it worked or not, was it known to the public. And that is discussed at Bates 1350, 51, the yellow materials on 50 and 51, which is a long listing that I won't read, but states very, very simply that the people there were not the public, they had a confidential relationship; the few that were there that had no confidential relationship had no opportunity to see what the El Toro had inside and, therefore, there could be no public knowledge under Section 102(a). And that does finish my answer on that.

Q What other items of evidence was there in the Patent Office record, if any, that directly supported the examiner's conclusion that the El Toro project was not a reduction to practice of the claimed invention?

A Well, we had both the -- we had the declaration of Michael Rogers, who was an Atari Cyan electronics technician who explicitly conducted that electric drill noise test and indicated that the El Toro malfunctioned when that noise was presented.

Now, I know also in depositions of Mayers,

Kayton - direct

1 he talked about the noise problems that El Toro had and which
2 were not solved, but I simply can't pinpoint that. I don't
3 remember where that is, but I know it exists somewhere. I
4 simply don't have reference -- I don't have the reference in
5 front of me.

6 Q Was there any evidence introduced in the reissue pro-
7 ceeding on the subject of whether the El Toro was known to
8 Frederiksen and Nutting prior to the, to Frederiksen and
9 Nutting's reduction to practice?

10 A Well, there was not even a scintilla of evidence to
11 suggest that the inventors of the patent in suit knew any-
12 thing about what was going on.

13 Q Turning to the subject of whether the El Toro was
14 publicly known or used by others under Section 102(a) or
15 known to the art as required for rejection under Section
16 102(g) and 103 of the statute, what was the examiner's final
17 holding with respect to those issues at the alleged open house
18 where the El Toro was shown?

19 A I'm sorry, I confused the beginning of your question,
20 I couldn't follow it. Would you -- it's not your fault.

21 Q Turning to the subject of whether the El Toro was
22 publicly known or used by others, under Section 102(a).

yes.

23 A

24 Q Or known to the art as required for rejection under
25 Section 102(g) and 103 of the statute, what was the examiner's

Kayton - direct

1 final holding with respect to those issues?

2 A Oh, he expressly held it was not known.

3 It, at the bottom of 1351, he states, "Thus,
4 the rejections under 35 U.S.C. 102(a) and 102(a)/103 have
5 been withdrawn."

6 Q Without specifically pointing out in the file wrapper
7 where it took place, can you say whether or not the evidence
8 on this subject of public knowledge or knowledge to the art
9 was based on extensive documentary evidence or not?

10 A It was based on extensive documentary evidence,
11 including the physical layout of the buildings, whether there
12 were cafeterias there, whether wives and children were there.
13 It was just unbelievable, the amount of discovery that took
14 place on that subject by both sides.

ides 1 Q Kayton - direct

2 Assume, Professor Kayton, contrary to the examiner's
3 express holding as we discussed, that the El Toro was actually
4 reduced to practice; under what circumstances, if any, would
5 it still not be prior art to the claimed invention here under
6 accepted practices in the Patent Office?

7 A If it were the case that the claims in suit do not read
8 literally on that structure, and it is the case that the
9 inventors didn't know about El Toro, and El Toro was not
10 publicly known, then there cannot be a finding of invalidity
11 in the Patent Office over El Toro even if it was reduced to
12 practice, because there may not be secret prior art under
13 the Section 103 statutes.

14 This is as established as anything can be.

15 Since we know that Frederiksen and Nutting
16 didn't know about El Toro, and since the examiner held that
17 El Toro was not publicly known, then there simply cannot be
18 any finding of invalidity in the Patent Office on El Toro,
19 if the claims did not read literally. And that's true even
20 if it was an actual reduction to practice.

21 Q Under established Patent Office practice and based on
22 the testimony of Dr. Schoeffler, assuming it is credible, would
23 claims 45 and 95 be patentable over El Toro even assuming
24 for the sake of argument that it was reduced to practice but
25 used noise immunity and prevention techniques that were not
the same or equivalent to those of the claimed invention?

Kayton - direct

1 MR. GOLDENBERG: Objection, your Honor. This
2 question of obviousness is just beyond dispute at this point
3 in history of the law; a question of law to be decided by
4 the Court. This surely would be a usurpation of your function
5 here.

6 THE COURT: Well, I understand it is a question of
7 law, but I will let him answer. Overruled.

8 MR. KATZ: Do you want the question re-read,
9 Professor?

10 THE WITNESS: No, I don't need it.

11 BY THE WITNESS:

12 A. It cannot be obvious for the reasons I stated in the
13 immediately preceding answer. If the claims don't read
14 literally and there is no knowledge on the inventor's part
15 and there is no public knowledge, that's secret prior art and
16 it cannot invalidate any claims that are independently
17 invented.

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Kayton - direct

Q Turning now to the Delta Queen activity of Atari Cyan that was cited in III of the defendants' Section 282 notice, how extensively was the Delta Queen project treated during the protested reissue proceeding?

A There were a total of 41 official papers dealing with Delta Queen, 20 by the protester defendants, 11 by the applicant plaintiffs, and 10 official Patent Office papers.

Q What was the examiner's holding with respect to whether or not the Delta Queen was actually reduced to practice?

A The examiner explicitly held that it was not reduced to practice. It could not work in its intended environment as a pinball machine.

Q Would you point out the technological bases set forth by the examiner for that determination and the places in the record where he states it?

A Yes, first the general statement, Bates 1398, the pink highlighted material:

"The examiner has concluded from the evidence that while some noise reduction techniques are conventional in the electronic art and while Atari and Ramtek --" and this is something I realize I have read to you before -- "had help, they did not seem able to overcome these problems, and even upon further experimentation, Atari was not able to overcome these deficiencies

1 Kayton - direct

2 in the Delta Queen until at least 1975."

3 Then at Bates 1390, some of the reasons are
4 set forth. Specifically at the bottom of 1390,
5 the examiner says:

6 "In any event, after the critical date of
7 September 26, 1974, established by reissue appli-
8 cants, a totally different pinball machine was
9 modified. In fact, five Delta Queens were
10 apparently modified, presumably in an identical
11 manner. Two were sent to the Chicago MOA --"
12 that is Music Operators of America convention --
13 "with at least one being put into service under
14 controlled conditions in one of the hotel suites.
15 Another Delta Queen was later deposited at Frank's
16 Pizza location, and the remaining machines were
17 disposed of in an undisclosed manner. As to the
18 Frank's Pizza machine, evidence exists to show
19 that it did not actually perform as intended."

20 Now, all of what I have read has footnote
21 notations. The footnote notations are Footnote 6, 7, and 8,
22 and these are all depositions that the examiner relied on
23 of Mr. Mayers and Mr. Bristow, who were the ranking
24 technical officers of the Cyan research organization.

25 Then further on on 1397 -- excuse me, 1394,
the examiner said:

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"Even though Atari Cyan should have learned from the El Toro experimental stage and applied such learning to the two Delta Queens to eliminate the bombing, such was not apparently done. It is apparent that they still did not have control of the device. Coupled with the newly supplied arguments, submissions, and the fact that the programmer Cox did not correct the program to eliminate the inherent problems and Cyan, despite testimony that various noise reduction techniques were conventional in the art, was not able to cure the defects in the Delta Queen at Frank's, the examiner now finds that the El Toro was not reduced to practice for the purposes of 35 U.S.C. Section 102(g) and 102(g)/103."

Finally, on page 1397, the examiner makes reference to a Cyan status report and states, "A Cyan status report dated February 7, 1975" and then parenthetically he refers to the Federal Rules of Evidence, Rule 803, "recognized problems in the Delta Queen experimental stage."

I think that is all that I have on the subject of the Delta Queen.

Q Do you have before you that Cyan status report of February 7, 1975, which the examiner relied on?

A You know, I thought I did, and I am just trying to remember -- I think -- wait, I think I do.

I think I do. Just one moment.

MS. SIGEL: (Indicating)

THE WITNESS: Oh, you have it right there? Okay.

But I had a highlighted copy. As a matter of fact, if I could have just a few seconds to find it, I would like to use it if I could locate it.

Well, I don't have it.

BY MR. KATZ:

Q It is Plaintiff's Exhibit 129.

A I cannot imagine what I did with it, but I don't have it.

Plaintiff's -- well, actually there is another one also.

129, I think 130. Do you have that also?

THE COURT: Which one?

THE WITNESS: 129 and 130 as well, I believe.

MS. SIGEL: (Indicating)

THE WITNESS: Yes, Plaintiff's Exhibits 129 and 130 are Cyan status reports.

129 is the status report of February 7, 1975 to Alcorn and Steve Bristow. I suppose at this time Bristow had shifted from Cyan, or maybe he was always at Atari.

From this it seems like Mayers was the head guy at Cyan and Bristow was Atari, and it is from Cyan to Alcorn and Bristow of Atari, and it states in 129 --

BY MR. KATZ:

Q I refer you to the next to the last sentence in the pinball paragraph.

A Yes, I have it. It says:

"The Delta Queen we have on location has had some problems after the kids learned about its power on the glitches. We modified the power switch to only turn off the lights, and this seems to have them fooled for a while. We also had a stuck switch which put the machine out. Super Flight, however, will be tolerant of stuck switches, we hope, and then perhaps more vigorously, the following month, March 14, 1975, in a similar memo to Alcorn and Bristow from Cyan, with initials that look like they must be Lawrence Emmons, the pinball report says:

"Software 80 per cent checked out; PC board 90 per cent laid out. We pulled our Delta Queen off location this week and have conducted an autopsy. The machine has two inherent faults that make it unsuitable for location:

"1. The power on reset circuitry is unsatisfactory. Brief one-half second power outages

Kayton - direct

1 or kids playing with the on/off switch can send
2 the machine into non-scanning states or spurious
3 game count.
4

5 "2. The software cannot cope with stuck
6 switches, so everything bombs when this happens.
7 This often leaves the machine in an unplayable
8 state. Both these problems will be surmounted
9 in the next pen."

10 Now, this is March 14, 1975.
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Q Was the next project called Superflight project?

A Yes, Superflight was the next project, and the next piece of prior art that the protesters submitted in their 282 notice, if I remember correctly.

Yes, it is. That's listed as reference number 16.

Q Turning now to the Superflight activity listed also under Part 3 of the Defendants' Section 282 notice, to what extent was the Superflight treated by the examiner during the reissue proceeding?

A Well, it's discussed in three official papers and specifically at Bates numbers 1424 and 1425.

There he says, just before the yellow high-lighted material, he talks about Frank's pizza machine didn't work, and that's the Delta Queen.

Nevertheless, he adds:

"From the learning experience gained from the El Toro and Delta Queen machines, Atari proceeded to the Williams Super or Stratoflight phase.

"Incidentally, Mayer's deposition revealed that the Williams machine was actually configured closer to the El Toro device than to the erratic and more complex Delta Queen."

And then on the following page he says:

"Furthermore, significant software and hard-

were changes to the design of the Superflight, the modified Williams pin, were required. Eventually these series of experiments culminated in the final Atarian product line which differed substantially from the initial El Toro stage."

Now, in this context it's of significance to note that Robert Jonesi, who was at that time the pinball game designer for the Williams machine, working for Atari, testified in his deposition at page 240 that Superflight had, quote, "erratic problems," close quotes, including switching problems and a right slingshot that didn't work.

Q Excuse me. I believe you mis-spoke, Professor Kayton. You said Mr. Jonesi was a designer of the Williams game.

A He was an Atari games designer, and he testified that Superflight had erratic problems. He was a game designer for Atari.

He actually worked for other companies also. And that will be seen in the next reference to the Ramtek Lucky Dice.

Q Professor Kayton, I do now direct your attention to the activities of Ramtek with respect to the Lucky Dice device raised in Part 3 of the defendants' Section 282 notice.

And in how many locations did the examiner treat the Lucky Dice Ramtek development?

A Lucky Dice Ramtek was treated in six different official papers of the Patent Office.

office1

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Kayton - direct

And in how many papers did the protesters and the plaintiffs treat it?

A

I don't have that immediately tabulated, but I can tell you that very quickly.

The protesters in seven papers, and the applicants in five papers.

Q

What was the examiner's determination with respect to whether the Ramtek activity with the Lucky Dice was prior art to the claims of the reissue patent in suit?

A

Well, that's stated clearly in official paper 145 at Bates 1441. The red highlighted material at Bates 1441 states that:

"The examiner has concluded from the evidence that while some noise reduction techniques were conventional in the electronic art, and while Atari and Ramtek as well as reissue applicants received help from companies such as Intel, Rockwell, et cetera, Ramtek did not seem able to overcome these problems, at least as of May/June '74."

And then on 1435, -36 and -37, the green highlighted material indicates:

"Atari and Ramtek could have been viewed as experts in this discipline. Accordingly, the ordinary artisan would not have been more

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successful in electronic game implementation than the acknowledged experts."

And then on 1436 he says:

"Of the parties involved, the patentee, Bally, Atari, Ramtek, one, Ramtek never completed their project, despite substantial evidence that their creation was actually derived from patentee; another, Atari took three to four years to finalize their product."

And on 1437:

"And yet patentee only required three to four months from approximately June of '74 to September of '74 to complete their invention."

Now, on 1436, the footnote material which I've just blocked, deals with the subject of the likelihood in the examiner's view that Ramtek Lucky Dice was actually derived from Frederiksen and Nutting through information acquired by one of the Lucky Dice designers, Ray Holt.

1 Q Turning now to the question of the noise problems that
2 were referred to by the examiner, during your exposition of
3 the examiner's determinations that neither the El Toro nor
4 the Delta Queen were actually reduced to practice, at least
5 not prior to 1975, you quoted many instances where it was
6 the examiner's view that the noise problems in those two
7 devices were such that they could not be eliminated without
8 unobvious contributions, that is, the person of ordinary skill
9 in the art could not, without invention, bring them to actual
10 reduction to practice.

11 During the entire reissue proceeding, Pro-
12 fessor Kayton, can you tell us the total number of places
13 where the electrical noise problems were discussed or exam-
14 ined by any of the protesters, the applicants and the
15 examiner?

16 A I can, but to do that I need to refer to yet another
17 exhibit book, Exhibit 418.

18 Now, 418 has a lot of useful information --
19 MR. GOLDENBERG: Can you hold on for just a moment?
20 I can't find a copy of that here.

21 MR. KATZ: Your Honor, while they are looking,
22 could I ask you for some idea on scheduling, perhaps?

23 THE COURT: Six o'clock. And then tomorrow start-
24 ing at 10:30 and all day.

25 MR. GOLDENBERG: Mr. Katz, were we supplied a copy

1 of 418?

2
3 MR. TONE: May I inquire of your Honor's plans
4 for Thursday, if it isn't too early? I have a long-standing
5 dental appointment at nine o'clock; I'd like to cancel it if
6 you are going to start earlier that day.

7 THE COURT: We will start as early as possible,
8 because I have got another -- Friday is all taken up with
9 something else, and then I am not going to be here next
10 week, so we have really got three and a half days only this
11 week.

12 MR. TONE: Fine. I am not suggesting anything,
13 except if your Honor had another matter on, then, that
14 morning, I'd like to know.

15 THE COURT: No, we will work on this case.

16 MR. TONE: Fine.

17 MR. KATZ: Did you get it?

18 MR. GOLDENBERG: Yes.

19 BY THE WITNESS:

20 A Plaintiff's --

21 BY MR. KATZ:

22 Q You are referring to Plaintiff's Exhibit 418.

23 A Plaintiff's Exhibit 418, as I said, has a lot of useful
24 tables and indexes in the front with respect to those 20
25 volumes which I am going to ignore now, your Honor, and turn
directly to the subject of Mr. Katz' question, which was

1 the electrical noise during prosecution, and that can be
2 usefully viewed by looking at the white printed tab towards
3 the back that says, "Electrical noise related to reissue
4 proceedings", and immediately after that, it says, "Master
5 list," a blue tab, which lists all of the papers during the
6 reissue proceeding that dealt with noise, and then --

7 Q Is that Bates 174?

8 A Thank you, Mr. Katz, it is Bates 174 and 175.

9 The blue tab examiner's citations lists where,
10 what papers the examiner made reference to noise.
11

12 So, if we consider the information on page
13 174 and 175, I have tallied that a total of 30 official
14 papers in the Patent Office proceeding dealt with noise
15 as an issue of patentability; ten of them were protester-
16 defendants; thirteen plaintiff-applicants, and seven were by
17 the examiner.

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Kayton - direct

Q Professor Kayton, would you identify whose deposition testimony was presented to the Patent Office with respect to this noise question on the issue of reduction to practice?

A. Yes. There were depositions by, depositions by 18 people and one declaration which, by Mr. Rogers, which subsequently for this proceeding is in a deposition form, because discovery was taken, and it is a counterpart to the declaration in the Patent Office.

There were a sequence of people whose depositions were taken on this subject. I will make reference just to the last names:

Krynski, who was an electronical game designer of Gottlieb Company; Footh, an electronic engineer who designed the system at Rockwell for the Gottlieb Company, apparently generating a Gottlieb pinball machine; Edwall was an electronic game designer that worked for Gottlieb; DeFotis was an electronic designer that also worked for Gottlieb; Folwell was an electronic engineer that worked for Rockwell International; Fedesna was an electronic engineer that worked for the defendant Williams Electronics; Dussault was a programmer who worked for defendant Williams; Poole was an electronic hardware designer for pinball machines working for defendant Williams; Winter was the president of Milwaukee Coin Industries in Milwaukee that the inventors Nutting and Frederiksen originally worked for when they were doing their

Kayton - direct

1 early work; Kute was an engineer with National Semiconductor
2 who worked on a project for a game company called United
3 Games; McAdams was an electromechanical pinball game designer
4 that worked for Game Plan, a defendant in another case, I
5 understand, and also a designer for the now defunct Chicago
6 Coin Industries, which, your Honor, ultimately became, I
7 guess, the Stern Electronics Company; McEwan was president
8 of Ramtek, then a video game company in California; Schultz
9 was an electronic engineer that worked for Ramtek, Smith
10 was an electronic technician that worked with the inventors
11 Frederiksen and Nutting at Dave Nutting Associates and
12 Milwaukee Coin; Spickerman was a hardware game designer that
13 worked for Game Plan; Dr. Tai worked for Intel, company that
14 made microcomputers; Wilson was an electronic game designer
15 for Game Plan; Cox was the programmer employed by the Cyan
16 Atari Engineering group that worked on the El Toro; and
17 Mayer was an engineer that I made reference to before, also
18 working for the Cyan group at Atari that worked on the El Toro
19 at Cyan; and Rogers, whose declaration was submitted and whose
20 deposition was taken for this trial, was an electronics
21 technician with the Cyan group that did the electric drill
22 testing that I mentioned on the El Toro.

23 And those are all the people whose depositions
24 were taken in which testimony on the subject of electronic
25 noise was involved.

1 Q Kayton - direct

2 How many pages of text of official papers relating to
3 the noise problems were submitted by the defendants, the
4 plaintiff, and the examiner respectively?

5 A Excluding depositions, 181 pages.

6 Q How many of those were the defendants'?

7 A The total were the defendants, 38 pages -- now I am
8 talking about actual pages of text in the context of noise --
9 the defendants 38, the plaintiffs 122, and the examiner 21.

10 Now, in the depositions, separate from the
11 papers of the parties and the examiner, there are a total
12 number of 126 pages of text in the depositions of these people
13 that dealt with noise.

14 Q Professor Kayton, I noted that Mr. Lynch indicated
15 several times that he was surprised that noise was an issue
16 here in this case.

17 When was the first time that any of the
18 parties raised the issue of noise susceptibility as a problem
19 in pinball machines in the reissue proceedings and by whom
20 was it raised?

21 A The first time it was raised, as you can see on Bates
22 No. 174, was September 14, 1979, and it was raised by John
23 Lynch and Wayne Harding, the protesters for Rockwell, and they
24 explicitly raised it in the very paper in which they entered
25 these proceedings, and that is Official Paper No. 11.

Now, that can be seen in the horizontal black

2
1 bar book, Kayton -direct
2 Plaintiff's EXhibit 414, at tab 3, Bates No. 95.

3 If we look at that, at the top it says --
4 this is by Mr. Lynch and Mr. Harding:

5 "By the latter part of May, the El Toro
6 modification was completed. Before May 24, 1974
7 the microprocessor controlled El Toro machine was
8 playable as a pinball machine."

9 But Footnote 38 says, "Mayer deposition--"
10 Mayer, of course, was the El Toro engineer, Cyan
11 engineer -- "Mayer deposition at 142-147, 585-87,
12 361, Bristow deposition at 38: The machine played
13 well as long as noise wasn't intentionally intro-
14 duced. Mayer deposition at 588-90: Because the
15 prototype utilized wire wrap boards and the micro-
16 computer was connected to the pinball game by an
17 umbilical cord, the prototype was susceptible to
18 noise."

19 This was the first time that noise was an
20 issue, and it was an issue, as the listing of papers on page
21 174 through 175 indicates, continually up until July 1, 1983.

22 Q The issue of noise susceptibility was thus raised in
23 the reissue proceeding at the beginning. Now, when was it
24 next raised and by whom was it raised in the reissue pro-
25 ceeding, and can you give us a reference to the cite in the
record and what was stated?

3
1 Kayton - direct
2 Well, yes, it was raised by the applicants on March 3rd,
3 1980, and that you can get by, of course, going to the
4 applicants' papers.

5 Now, those are the horizontal blue references,
6 Plaintiff's Exhibit 413, and that is the single horizontal
7 blue line, 413, at tab 3, Bates Nos. 59, 60, 61, and 62.

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THE COURT: What book are we in?

THE WITNESS: We are in the single blue, Plaintiff's Exhibit 413.

MR. KATZ: Volume 1, your Honor, which has the single blue stripe.

THE COURT: The page again?

THE WITNESS: Bates 59. It continues on highlighted material. This is where the applicants discussed it.

The heading is: "El Toro phase did not amount to a reduction to practice," and then the applicants refer to Mayer's testimony. It says:

"Mayer's testimony generally indicates that the El Toro phase was the first part of the project, was only for determining feasibility, and it never clearly resulted in a practical functioning pin-ball machine. Mayer testified as follows:"
and then there is a short amount of testimony specified at Mr. Goldenberg's examination:

"Q Besides playing the game, was it tested or evaluated in any other way?

"A --" By Mr. Mayer." It was tested for static and low and high line voltage.

"Q What were the results of these tests, sir?

"A The low and high-line voltage tests indicated that we had a satisfactory design. The

implementation of the model was such that we couldn't get a conclusive static test. The wires were too long and running to the Intellec simulator.

"Q What would be revealed by a static test?

"A The computer could jump out of sequence and hang up in some part of the program."

Then on 61 there was cross examination by Mr. Welsh, who is Mr. Katz' partner. With respect to mid-June '74, Mayer testified as follows:

"Q Did you still have any noise problems?

"A There was some residual noise problems."

Farther on:

"Q And did those residual noise problems affect the play similarly to others; I mean, you did not detect switch closures, for example?

"A They either manifested themselves as solenoids activating at the wrong time or bombing the computer, taking the computer out of its normal cycle.

"Q What happened when that occurred during play?

"A The play would stop and you would have to reset the computer and start it again."

Then on 62 Mayer referred to the El Toro

1 as a "breadboard unit," and stated that it, "wasn't suitable
2 for the field test location," Footnote 91 being the Mayer
3 deposition at page 596.
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BY MR. RATZ:

Q Professor Kayton, did the plaintiff raise the issue of noise again in that same paper in the Patent Office to support any other proposition?

A Yes. On the very next page, the yellow highlighted material says:

"The Cyan pinball project was to evaluate the feasibility of building an electronic pinball machine, which resulted in the El Toro mock-up and the modified Delta Queen and Superflight experimental models.

"None worked satisfactorily as a practical pinball machine because of the problems previously discussed in respect to each model. But generally these were noise, static, switching or other problems causing bombing of the computer and wrong and inconsistent scoring. The invention was thus never actually reduced to practice.

"The Cyan systems were revised from low to high and then to low levels of multiplexing with various arrangements for inputting data from the switches to the MPU and for controlling the lamps to avoid the various problems. However, when Atari began its design of a commercial pinball machine, the Atarian, at the beginning of 1976, its

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engineers rejected the Cyan system and redesigned a new system, their own baby, according to Bristow, which did not use the claimed invention."

Now, it is of some interest that at this very early date the statements of applicant's attorneys proved to be prophetic, because that is exactly what, years later, the examiner explicitly held.

Q Was this issue of noise susceptibility a continuing issue that was discussed throughout the reissue proceedings to the very end?

A Well, as I indicated, it clearly was throughout the proceeding vigorously presented and discussed.

Q Was additional evidence on noise problems introduced by the parties on this issue during the course of the reissue proceedings? And what was the final conclusion that the examiner reached in connection with this noise susceptibility issue on the El Toro activities at Cyan?

A Well, that's two questions. And the first one is yes, evidence was introduced extensively during the proceedings. And the examiner expressly held that El Toro was not reduced to practice because it could not cope with noise.

Q What was the ultimate conclusion of the examiner with respect to the Delta Queen activities at Cyan insofar as its operation and susceptibility to noise problems?

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A. It was exactly the same holding. The Delta Queen was the one that was in Frank's Pizza Parlor in a noisy environment. It couldn't work, and it was the one that the Cyan reports, Plaintiff Exhibits 129 and 130 said simply did not work.

Q. Now, Professor Kayton, given the following as fact: First, that as Mr. Goldenberg stated in his opening argument at page 56 of the transcript, and I quote:

"A pinball arcade, I think the evidence will perhaps agree, and there will be no dispute between the parties, is an electrically noisy environment. A pinball game is an electrically noisy device. Steps have to be taken to deal with that."

Second fact: That the El Toro and the Delta Queen pinball projects at Atari Cyan Engineering Division were in fact susceptible to electrical noise and would, as a consequence, become inoperable when put in an electrically noisy environment.

And, third: The El Toro and Delta Queen pinball projects were never shown to have worked in such an electrically noisy environment.

Now, my question is, under those circumstances could the El Toro or Delta Queen projects, according to accepted customs and practices in the patent field, con-

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1 Kayton - direct
2 stitute a reduction to practice of any invention in a pinball
3 machine?

4 MR. GOLDENBERG: Your Honor, once again, I think
5 that's a legal conclusion.

6 I don't think the attempt to masquerade it
7 by referring it to customs and practices in the patent field
8 removes the problem it has.

9 THE COURT: I think you're right. I mean, I've let
10 a lot of that in.

11 You have the same problem every time a lawyer
12 testifies in a patent case. I mean, basically they come in
13 here to testify to facts, supposedly, but basically they
14 testify about law.

15 And the question is where the Court draws
16 the line.

17 I think this question is clearly objectionable.
18 I'm going to sustain the objection.

19 BY MR. KATZ:

20 Q During the reissue proceeding was there any evidence
21 submitted by any of the parties to show, first, that the
22 El Toro and Delta Queen were in fact tested to demonstrate
23 whether they would work in their intended environment?

24 A Yes.

25 Q What was that?

A Well, with respect to the El Toro, evidence was intro-

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1 duced in the form of the declaration of Mike Rogers, the
2 electronics technician at Cyan, where he demonstrated that
3 the El Toro could not work when the electrical noise from
4 the electric drill was applied contiguous to the machine.
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6 And, of course, in the Delta Queen, there it
7 was demonstrated and clearly admitted that out in the noisy
8 environment of Frank's Pizza Parlor, it simply wouldn't
9 work.

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1 Q Now, under these circumstances, could the El Toro or
2 the Delta Queen projects or activities constitute prior art
3 against the invention of the patent in suit either indi-
4 vidually, that is, in and of themselves, or in combination
5 with any other references or any other prior art activities
6 under any section of the statute or on any conceivable basis
7 to support a rejection of the claims in the Patent Office?

8 A Clearly could not --

9 MR. GOLDENBERG: Excuse me.

10 THE WITNESS: I'm sorry, Mr. Goldenberg.

11 MR. GOLDENBERG: I do object.

12 THE COURT: It's the same type of question;
13 same ruling. Sustained.

14 BY MR. KATZ:

15 Q Could these activities -- Strike that.

16 Are these activities cognizable in any way
17 as bearing on the issue of patentability under Patent Office
18 practice?

19 MR. GOLDENBERG: Objection.

20 THE COURT: Well, I suppose, Mr. Katz, I will
21 just have to tell you that if you have another question that
22 is not objectionable, ask it; otherwise, it appears to me
23 that you have concluded your examination of this witness.

24 MR. KATZ: I will go on, your Honor, to
25 another subject.

1 BY MR. KATZ:

2 Q During your exposition of the examiner's determination
3 that neither the El Toro nor the Delta Queen were actually
4 reduced to practice, at least not prior to 1975, you quoted
5 many instances where it was the examiner's view that the
6 stuck switch in the two key rollover problems in those two
7 devices were such that they could not be eliminated without
8 unobvious contributions; that is, the person of ordinary
9 skill in the art could not without invention bring them to
10 actual reduction to practice.

11 During the entire reissue proceeding,
12 Professor Kayton, can you tell us the total number of places
13 where these stuck switch problems were discussed or examined
14 by any of the protesters, the applicants and the examiner?

15 A Yes, I can.

16 Q Would you please capsule that for us?

17 A Well, the stuck switch material appears after the tab
18 that says "Stuck Switches" and at Bates 198 and 199, those
19 are listed, there were a total of 27 papers dealing with
20 that subject, 7 by the protesters, 12 by the applicants and
21 8 by the Patent Office examiners. The total pages of text
22 without depositions on that subject, explanatory text, 146;
23 61 by the applicants, the plaintiffs; 62 by the protesters
24 and 23 by the examiner.

25 Q And what was the examiner's ultimate finding as to the

1 stuck switch problems of the Cyan El Toro and Delta Queen in
2 regard to the issues raised in the Patent Office reissue
3 proceeding and the basis for that finding?

4 A Well, he, in essence, held that because of the stuck
5 switch problem, there was no reduction to practice, and that
6 is explicitly discussed at Bates 207 -- correction -- 204,
7 and then 207. And these are things that I read before.

8 The El Toro evidence exists to show that it
9 was susceptible to switches hanging up; even though Atari
10 Cyan should have learned from El Toro, experimental state,
11 and applied such learning to the two Delta Queens to
12 eliminate the bombing, such was not apparently done. It is
13 apparent they still did not have control of the devices..

14 And then at 207, Item 8, the El Toro was
15 susceptible to hanging up or bombing.

16 Item 16, the Cyan status report dated
17 February 7, 1975 recognized problems in the Delta Queen
18 experimental stage.

19 And then, your Honor, this is with reference
20 to the Plaintiff's Exhibits 129 and 130 that we had refer-
21 enced before and I have now found my copies with the high-
22 lighted material which I need not repeat, I am sure.

23 Q Now, the defendants asserted in the reissue proceeding
24 that the invention was shown to be obvious by alleged
25 simultaneous invention by others. How was this finally

1 treated by the examiner?

2 A Well, he held there was no such thing. No one simul-
3 taneously invented. The El Toro was not a reduction to
4 practice, so there was no invention. Ramtek Lucky Dice
5 was not a reduction practice, so there was no simultaneous
6 invention. Delta Queen was not a reduction to practice, so
7 there was no simultaneous invention.

8 These were what is in the art known a history
9 of failures, inhabitants of the boneyard of failures. It is
10 the opposite of simultaneous invention. It is a history of
11 failure, not simultaneous invention.

12 Q And how did the examiner treat the evidence of Bally's
13 activities, its own activities, with respect to constructing
14 a microprocessor-controlled pinball machine?

15 A Of course, Bally's activities were later. Bally was
16 spurred into action on learning of the Frederiksen-Nutting
17 invention. at the demonstration. It was then that they went
18 back and decided to launch the project, a very significant
19 factor which is the antithesis of simultaneous invention.

20 When no one knows whether something can be
21 done as distinguished from knowing that something can be
22 you have a radical difference.

23 If someone knows that cancer has a cure because
24 someone has found a cure, the likelihood that subsequent
25 people can do it because they know it can be done is greatly

1 enhanced. Until that first one, the drive, the dynamicism
2 is typically lacking.
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Kayton - direct

1 Q Professor Kayton, to what art or arts did the examiner
2 look in determining who was the person of ordinary skill in
3 the art in making his rejections during the reissue proceed-
4 ings prior to allowance of the claims?

5 A Well, it is clear from some of my testimony earlier
6 and what we have seen in the record that what he was looking
7 to was someone in the surface projectile or pinball game
8 art but not electromechanical and not the simulated or video
9 games. It was a pinball inventor that he was looking for,
10 but he recognized that ancillary to that it had to be
11 people in the microprocessor field and, therefore, he was
12 looking to people in microprocessing as people who would
13 help or be ancillary to the pinball inventor; but there
14 were really no electronic pinball inventors in the business.

15 Q Did he look to the people in connection with the work
16 on the Ramtek development with respect to persons of skill
17 in the art?

18 A Yes, that is an exact example of what I am talking
19 about. Ramtek was a situation where there was a pinball
20 designer, a microprocessor expert, and an electronic expert.
21 Jones, if I recall correctly, was the pinball game designer.
22 I believe it was Howell Ivy or Lowell Ivy was the electronics
23 expert, and Ray Holt was the microprocessor. He was looking
24 to those people for the solution because he had to. There
25 was no one else, and in the El Toro, he was looking to people

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1 who had the electronics background in the video games, but
2 as I recollect, there was no pinball person there, but I
3 cannot say expressly.

4
5 I am trying to recollect what the examiner
6 said or what evidence there may be in depositions, and I
7 have no recollection at the moment.

8 Q What was the ultimate conclusion reached by the examiner
9 with respect to the person of ordinary skill in the art to
10 which he was looking?

11 A Basically it was a composite, a pinball person, with
12 help from a microprocessing person.

13 The whole point was that this technology was
14 such that the microprocessor people had no idea how to do
15 pinball and the pinball people had no idea how to do the
16 microprocessor combination, in accordance with what trans-
17 pired in the Patent Office and in accordance with Dr.
18 Schoeffler's testimony, if that is credible.

19 MR. KATZ: Your Honor, this is a break in the
20 subject.

21 THE COURT: All right, we can recess.

22 MR. KATZ: I would like to take up the next subject
23 tomorrow morning.
24 I am right on schedule. I should be finished
25 hopefully by tomorrow morning some time or before lunch if
we move fast.

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THE COURT: Okay, we will recess until 10:30.

MR. KATZ: Also with respect to scheduling, are we going next week?

THE COURT: I am not going to be here next week.

MR. KATZ: So we will just go through this week?

THE COURT: We will just take it a day at a time. We will have to see what happens here.

(The trial was recessed until Tuesday, March 27, 1984, at 10:30 a.m.)